# 2017/2018

# ANNUAL IDP, BUDGET AND SUPPORTING DOCUMENTATION OF MOGALE CITY LOCAL MUNICIPALITY

ANNUAL BUDGET OF

# MOGALE CITY LOCAL MUNICIPALITY

## 2017/2018 TO 2019/2020
## MEDIUM TERM REVENUE AND EXPENDITURE FORECASTS

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# Part 1 – Annual Budget

## 1.1 Executive Mayor's Report

Executive Mayor to deliver his speech during council meeting.

## 1.2 Introduction

### 1. South African economy and inflation targets

The 2017 Budget Review emphasized that, while the global economic growth outlook has improved, it is clouded by the prevailing policy uncertainty due to the increasing pressure within the world trading system. These factors may jeopardize South Africa's prudent macroeconomic and fiscal policies, which include inflation targeting and a flexible exchange rate, the local economy's ability to adjust to global volatility and the stable investment platform.

GDP growth rate is forecasted to increase by 1 per cent in 2017 and to improve moderately over the medium term with 1.5 per cent and 1.7 per cent in 2018 and 2019 respectively. This forecast is supported by marginally higher global growth, stabilising commodity prices, greater reliability of the electricity network, more favourable weather conditions, recovering business and consumer confidence, and improved labour relations. The positive trajectory marks a shift from several years of declining growth however; this is still not high enough to markedly reduce unemployment, poverty and inequality.

### 2. Municipal Standard Chart of Accounts (*m*SCOA)

The *m*SCOA Regulations apply to all municipalities and municipal entities with effect from 1 July 2017.

MSCOA provides for several mechanisms for strengthening accountability, facilitating budget reporting and adding value to the budget process to ultimately improve Service Delivery.

#### 2.1 Overview of mSCOA budget

Improved processes for municipal planning and budgeting empower a council to make more informed decisions and are fundamental to sustainable and efficient service provision.
After alignment of the processes and systems to the new mSCOA classification framework, the data and underlying insight on the information will have a great impact on the reporting and decisions made by management and other users.
Responsible planning and accurate budgeting drive transparent operations, and if a municipality is required to transact in an accountable manner this must originate during the budget process. It would not be feasible to transact in an mSCOA compliant manner, if planning was not done accordingly.
Therefor MFMA Circular 85 states the following:

- "…the compilation of the 2017/18 Medium-Term Budget and Expenditure Framework (MTREF) must be compliant with the mSCOA classification framework."

- "All the tabled 2017/18 MTREF budgets and the IDP submissions will be assessed in March 2017 for mSCOA compliance."

### 2.2 Benefits of mSCOA Segments on Budgeting

**1. Project**

Ensures alignment between:

- ✓ the Integrated Development Plan (IDP),
- ✓ Medium-Term Budget and Expenditure Framework (MTREF),
- ✓ Service Delivery & Budget Implementation Plan (SDBIP),
- ✓ In year monitoring & Reporting,
- ✓ Annual Financial Statement processes.

**2. Funding**

- ✓ Facilitates accumulation of budget information and adherence to Section 18 of MFMA.

**3. Function**

- ✓ Promotes Departmental Involvement and accurate reporting.

**4. Region**

- ✓ Indicates whether services are rendered fairly and impartially, and assists in decision making..
- ✓ Indicates whether spending is aligned to plans, and assists with decision making.

**5. Item**

- ✓ Promotes uniformity, and assists in benchmarking.

**6. Costing**

- ✓ Powerful management tool in the planning phase and assists in accurate Tariff Setting.

Mogale City has over the years been phasing a rapid development or growth, which essentially meant that whilst there is infrastructure that requires continued maintenance and/or rehabilitation, there is a huge demand for new infrastructure to cater specifically for backlogs and previously under-serviced areas. Therefore, the approach adopted in developing this budget has been based on an attempt to align IDP Priorities and Strategies to National KPA's; evaluating the existing spending trends against the IDP priorities; and tracking the achievement of the legislative mandate. As such the available resources are allocated underpinned by the following principles:

- The Council is committed to stringent budgeting policies and parameters through a budget that seeks to strike a balance between the development challenges of the poor areas and the need to maintain the infrastructure in established areas.
- The Council is also committed to ensuring that consultation on the budget takes place as widely as possible.
- To achieve balanced budgets on an affordable basis now and in future.
- The Council is further committed to levying affordable tariff increases and in this regard we have once again managed to achieve single digit increases in Rates, Electricity, Sewerage and Refuse Tariffs.
- The Council expresses its will to allocate effectively the limited resources against the ever increasing demands by looking at ways and means of reducing costs and improving efficiencies to maximize resources.

## 1.3. Recommended to the Municipal Council

1. That the annual budget of Mogale City Local Municipality for the financial year 2017/2018 and the indicative estimates for the two projected outer years 2018/2019 and 2019/2020, as set out in the schedules listed below be **adopted and approved.**

1.1. The annual budget of the municipality for the financial year 2017/2018 and the multi-year and single year capital appropriations as set out in the following tables:

1.1.1. Budgeted Financial Performance (revenue and expenditure by standard classification) as contained in Table 15 **(MBRR Table A2**) on page 35;
1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in Table 16 **(MBRR Table A3)** on page 37;
1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type) as contained in Table 18 **(MBRR Table A4**) on page 39; and
1.1.4. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source as contained in Table 19 (**MBRR Table A5)** on page 42.

1.2. The financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets be **adopted and approved** as set out in the following tables:

1.2.1. Budgeted Financial Position as contained in Table 20 (**MBRR Table A6)** on page 44;
1.2.2. Budgeted Cash Flows as contained in Table 21 **(MBRR Table A7)** on page 46;
1.2.3. Cash backed reserves and accumulated surplus reconciliation as contained in Table 22 **(MBRR Table A8)** on page 47;
1.2.4. Asset management as contained in Table 23 **(MBRR Table A9)** on page 48;
1.2.5. Basic service delivery measurement as contained in Table 24 (**MBRR Table A10)** on page 50.

2. The Council of Mogale City Local Municipality, acting in terms of Section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) **adopts and approves** the following tariffs:
   2.1.1. the tariffs for electricity – as set out in Schedule 3 on page 75-78.
   2.1.2. the tariffs for the supply of water – as set out in Schedule 3 on page 79-81.
   2.1.3. the tariffs for sanitation services – as set out in Schedule 3 on page 82-83.
   2.1.4. the tariffs for property rates – as set out in Schedule 3 on page 84.
   2.1.5. the tariffs for solid waste removal – as set out in Schedule 3 on page 85-86.

3. The Council of Mogale City Local Municipality, acting in terms of Section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) adopts and approves the tariffs for other services, as set out in Schedule 3 on page 87-109 respectively.

4. That Municipal Standard Chart of Accounts (mSCOA) schedule 4 on page 110-113 be noted.

5. The Council of Mogale City Local Municipality, in terms of Section 5 of the Local Government: Municipal Property Rates Act (Act 6 of 2004) approves the reviewed rates policy.

6. The Council of Mogale City Local Municipality, in terms of Section 6 of the Local Government: Municipal Property Rates Act (Act 6 of 2004) approves rates By-laws to give effect to the rates policy.

7. That the Council Of Mogale City Local Municipality approves the following budget related policies:

1. Annexure 1: Property Rates Policy
2. Annexure 2: Property Rates By-Laws
3. Annexure 3: Credit Control & Debt Collection Policy
4. Annexure 4: Indigent Management Policy
5. Annexure 5: Borrowing Policy
6. Annexure 6: Budget Management Policy
7. Annexure 7: Adjustment Budget Management Policy
8. Annexure 8: Cash Management & Investment Policy
9. Annexure 9: Long Term Financial Planning Policy
10. Annexure 10: Immovable Asset Management Policy
11. Annexure 11: Virement Policy
12. Annexure 12: Supply Chain Management Policy
14. Annexure 13: Unauthorised Irregular Fruitless & Wasteful Expenditure Management
15. Annexure 14: 1% Social Responsibility Policy

8. That the following budget related policies be noted as were approved during the past financial years and remain in force for the 2017/2018 financial year:

1. Write Off Policy
2. Sports & Recreation Facilities Tariff Policy
3. General Tariff Policy
4. Funding & Reserves Policy
5. Directives for Deviations from the normal SCM Process
6. Public Safety Tariff Policy
7. Development Contribution for Engineering Services Policy
8. Water Services By-laws
9. Mogale City Tree Management & Conservation Policy
10. Mogale City Parks By-Laws
11. Waste Tariff Policy

## 1.4 Executive Summary

The Constitution requires local government to relate its management, budgeting and planning functions to its service delivery objectives. This gives a clear indication of the intended purposes of municipal integrated development planning. Legislation stipulates clearly that a municipality must not only give effect to its IDP, but must also conduct its affairs in a manner which is consistent with its IDP. This includes the compilation of the Medium Term Revenue and Expenditure Framework (MTREF).

The Municipality's IDP is its principal strategic planning instrument, which directly guides and informs its planning, budget, management and development actions. This framework is rolled out into the Strategic Planning which directly inform the Service Delivery and Budget Implementation Plan.

This budget hereto presented has been compiled based on MFMA Circular No 86 issued on 08 March 2017 by National Treasury to guide municipalities with their preparation of the 2017/18 Medium Term Revenue and Expenditure Framework (MTREF) and, as with previous annual budget circulars it should be read within that context. The key focus of this circular is the implementation of municipal Standard Chart of Accounts (*m*SCOA) and the grant allocations as per the 2017 Budget Review.

This budget also took into consideration the assessment done by Gauteng Provincial Treasury. The 2017/18 draft budget of the Mogale City Local Municipality (MCLM) was assessed during the month of April and covers three distinct areas namely, credibility, relevance and sustainability in accordance with the relevant provisions of the MFMA, the Municipal Budget and Reporting Regulations (MBRR) and the National Treasury (NT) Budget Assessment Methodology.

**1. DISCUSSION**

The state of the economy has an adverse effect on the consumers. As a result municipalities' revenues and cash flows remain under pressure. Municipalities should carefully consider affordability of tariff increases, especially as it relates to domestic consumers while considering the level of services versus the associated cost. Therefore the application of sound financial management principles for the compilation of Mogale City's financial plan is essential and critical to ensure that the municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

The City will continue with its revenue enhancement project vigorously on implementing a range of revenue collection strategies to optimize the collection of debt owed by consumers.

National Treasury's MFMA Circular No. 51, 54, 55, 58, 66, 67, 70 , 72, 75, 77, 79, 80 & 86 were used to guide the compilation of the 2017/2018 MTREF.

**The main challenges experienced during the compilation of the 2017/2018 MTREF can be summarised as follows:**

- The on-going difficulties in the national and local economy;
- Securing the health of the asset base (especially the revenue generating assets) by increasing spending on repairs and maintenance and renewal of assets;
- Protecting the poor;
- Ensuring that water and waste water management meets the required quality standards at all times;
- The need to reprioritise projects and high expenditure rate within the existing resource envelope given the cash flow realities and declining cash position of the municipality
- The increased cost of bulk water and electricity (due to tariff increases from Rand Water), which is placing upward pressure on service tariffs to residents. Continuous high tariff increases are not sustainable - as there will be a point where services will no-longer be affordable;
- The need to fill critical vacancies with limited resources;

- Affordability of capital projects as projected in the IDP – many projects identified in the IDP for which no confirmation of funding is received could not be included in the 2017/2018 budget projections but rather factored into the budget as part of the 2018/2019 MTREF process and new projects had to be scaled down to be within affordability.
- The need to reflect cost reflective tariffs for Water and Sanitation from Rand Water of 10.2 per cent.
- The cash flow constraints the municipality is currently experiencing due to huge unpaid creditors carried forward and unsatisfactorily revenue collection rate.

**The following budget principles and guidelines directly informed the compilation of the 2017/2018 MTREF:**

- The Council is committed to stringent budgeting policies and parameters through a budget that seeks to strike a balance between the development challenges of the poor areas and the need to maintain the infrastructure in established areas.

- The Council is committed to ensuring that consultation on the budget takes place as widely as possible.

- To achieve balanced budgets on an affordable basis now and in future.

- Tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructure backlogs.

- There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act.

- The cost containment measures must be implemented to eliminate waste, reprioritise spending and ensure savings on six focus areas namely, consultancy fees, no credit cards, travel and related costs, advertising, catering and event costs as well as costs for accommodation.

- The Council is willing to implement the cost containment measures as approved by Treasury and align their budgeting policies to these guidelines to the maximum.

In view of the aforementioned, the following table is a consolidated overview of the proposed 2017/2018 Medium-term Revenue and Expenditure Framework:

**Table 1 Consolidated Overview of the 2017/2018 MTREF**

| | 2015/2016 Audited Outcome | Approved Original Budget 2016/2017 | Approved Adjustments Budget 2016/2017 | Budget Year 2017/2018 | Budget Year +1 2018/2019 | Budget Year +2 2019/2020 |
|---|---|---|---|---|---|---|
| Total Operating Revenue (including capital transfers) | 2 596 952 482 | 2 646 646 338 | 2 470 680 910 | 2 813 768 324 | 2 926 093 016 | 3 074 089 585 |
| Total Operating Expenditure | 2 606 893 343 | 2 783 094 305 | 2 661 239 345 | 2 519 890 259 | 2 585 703 444 | 2 712 906 629 |
| ***Surplus(/Deficit) after Capital Transfers*** | **(9 940 861)** | **(136 447 967)** | **(190 558 435)** | **293 878 065** | **340 389 572** | **361 182 956** |
| Total Capital Expenditure | 434 890 630 | 424 968 598 | 275 507 851 | 293 878 065 | 284 119 000 | 302 780 000 |
| **Total Consolidated Budget** | **3 041 783 973** | **3 208 062 903** | **2 936 747 196** | **2 813 768 324** | **2 869 822 444** | **3 015 686 630** |

Total operating revenue has grown by 13 per cent or R299, 019,359 for the 2017/2018 financial year when compared to the 2016/2017 Adjustment Budget. For the two outer years, operational revenue will decrease to

3.20 per cent and increase to 5.1 per cent respectively, equating to a total revenue growth of R520,160,684 over the MTREF when compared to the 2016/2017 adjustment budget.

**Total operating expenditure for the 2017/2018 financial year has been appropriated at R2, 519,890,259 and translates into a surplus cash backed budget of R100,278,000 as per mSCOA and MFMA section (1) (a) prescripts**.

When compared to the 2016/2017 Adjustment Budget, operational expenditure has decreased by 5 per cent in the 2017/2018 budget and increase by 3 and 5 per cent for each of the respective outer years of the MTREF.

The capital budget of R293, 878,065 for 2017/2018 is 7 per cent more when compared to the 2016/2017 Adjustment Budget. **Own funded capital projects were decreased drastically due to affordability.** A substantial portion of the capital budget projects will be implemented during 2018/2019 and 2019/2020 financial years with a long term financial plan of building cash reserves over the MTREF. Own funding contributes 27 per cent in 2017/2018 of the total proposed capital budget.

## 1.5 Operating Revenue Framework

For Mogale City to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times strong revenue management and expenditure management is fundamental to the financial sustainability of the Council. The reality is that we are faced with development backlogs, unemployment, poverty and old infrastructure assets. **The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditure against realistically anticipated revenues.**

**The revenue base for the City for other main tariffs excluding electricity, water and sanitation have increased by 6 per cent growth.**
The municipality's revenue strategy is built around the following key components:

- National Treasury's guidelines and macroeconomic policy;
- Growth in the City and continued economic development;
- Efficient revenue management, which aims to ensure a **96 per cent** annual collection rate for property rates and other key service charges;
- Electricity tariff increases of 1.88 per cent approved by the National Electricity Regulator of South Africa (NERSA);
- Water tariffs increase of 10.2 per cent approved by National Parliament;
- Sanitation tariff increase of 10.2 per cent,
- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);
- Impact of Census 2011;
- Increase ability to extend new services and recover costs;
- Increasing debt book;
- The municipality's Indigent Management Policy and rendering of free basic services.

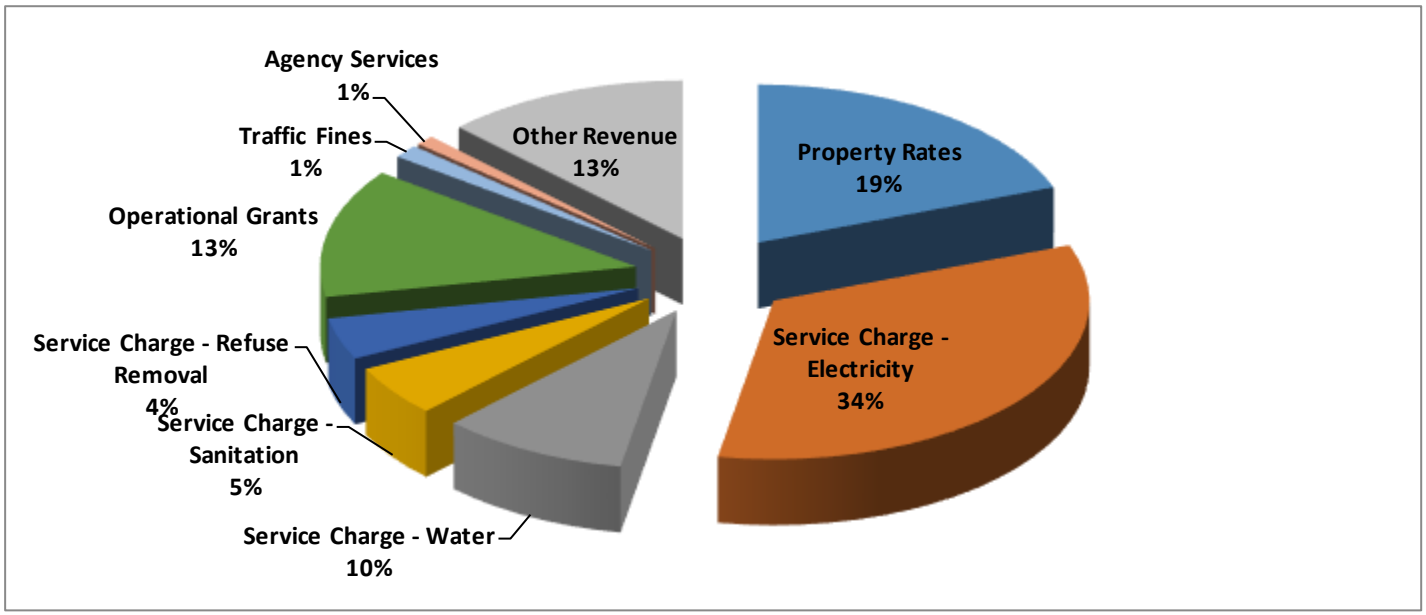



**Figure 1 Main operational revenue categories**

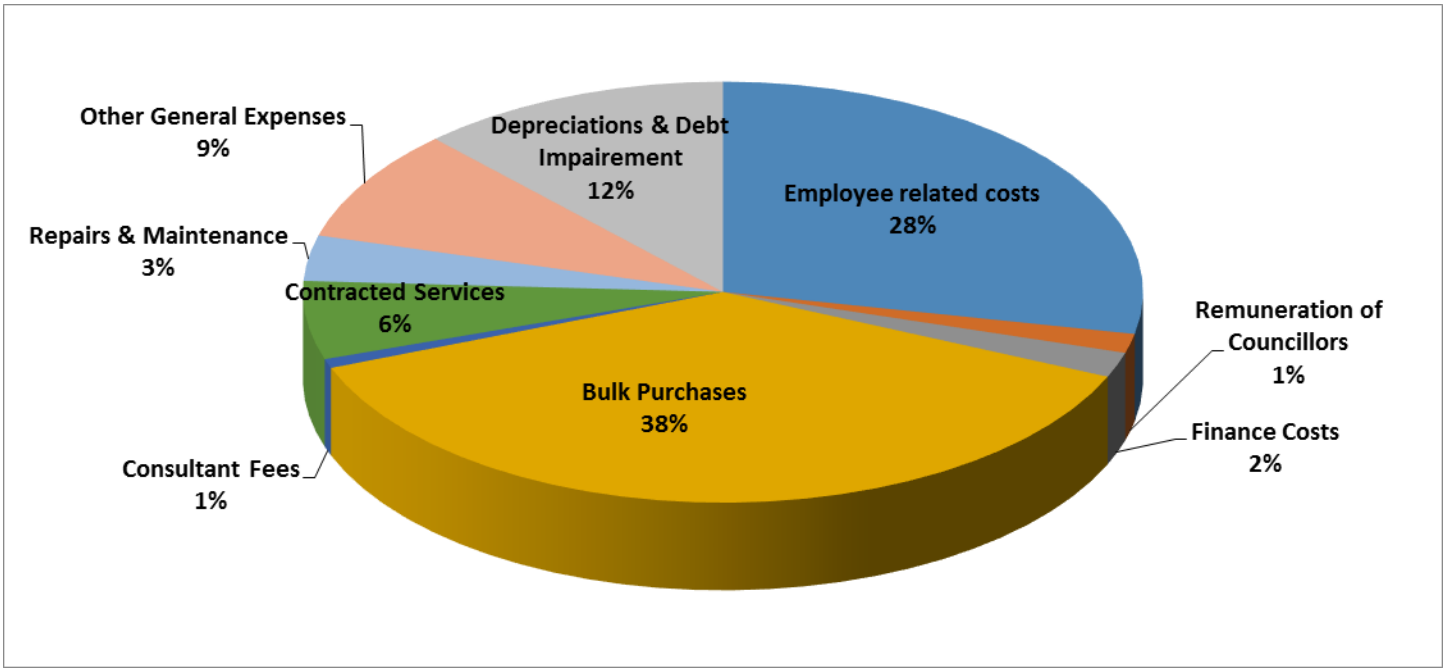



**Figure 2 Main operational expenditure categories**

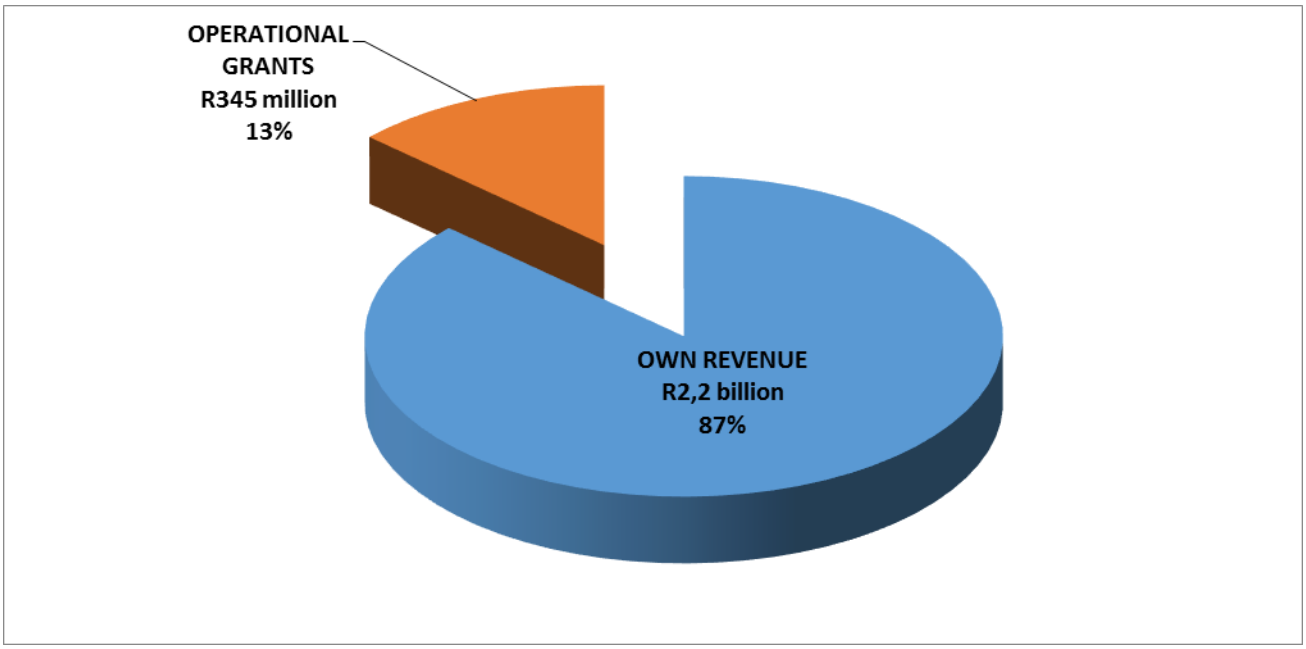



**Figure 3: Source of revenue**

During 2017/2018, the City's total revenue budget is estimated to be R2.8 billion, the split between operating and capital are as follows:

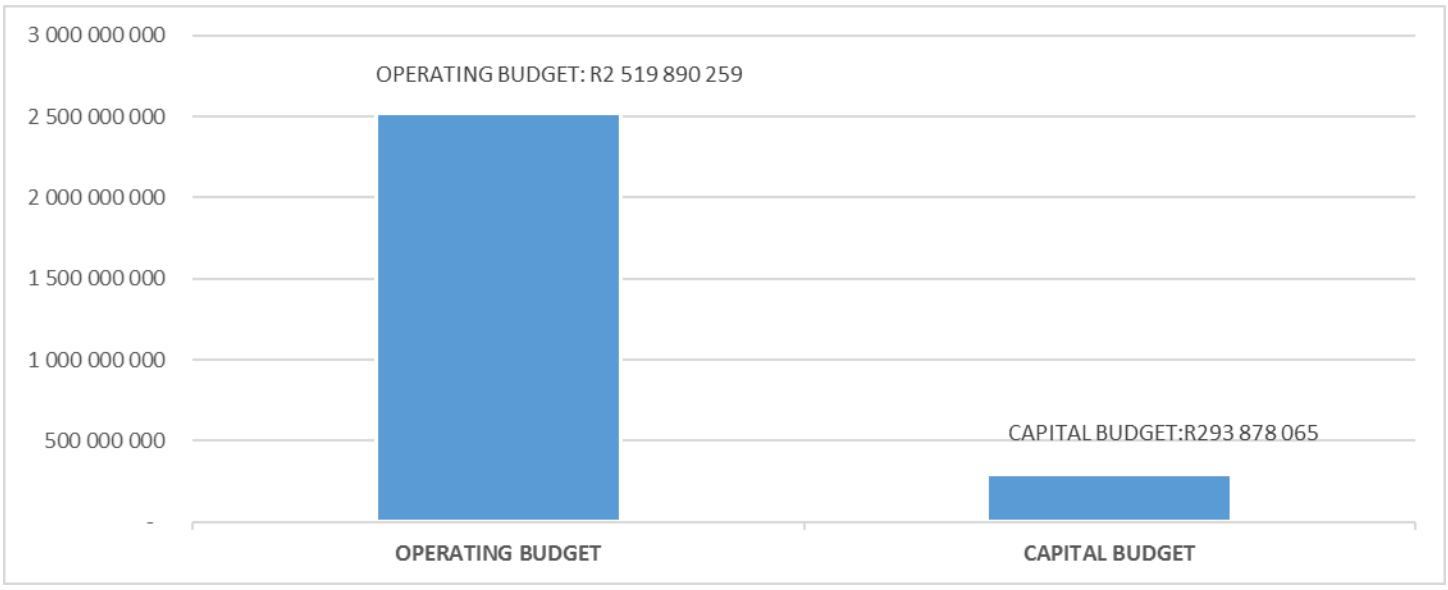



**Figure 4: Operating & Capital Budget**

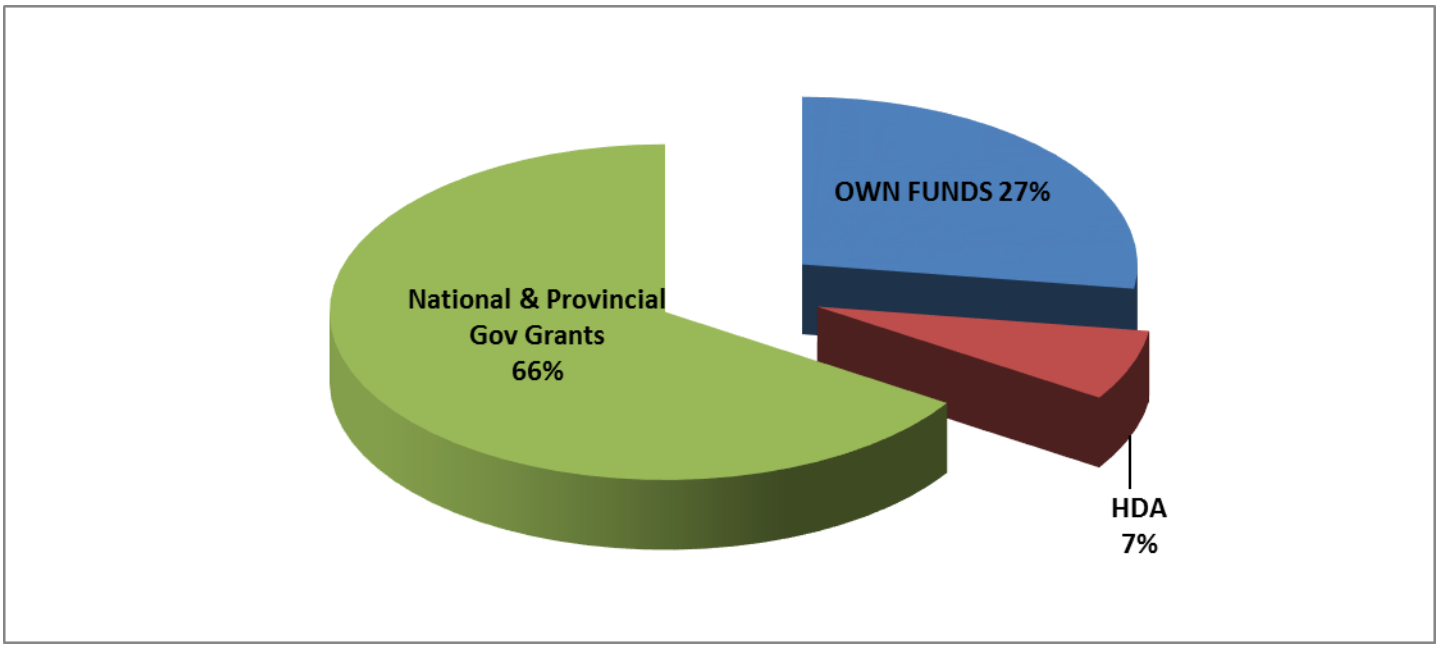



**Figure 5: Capital Funding**

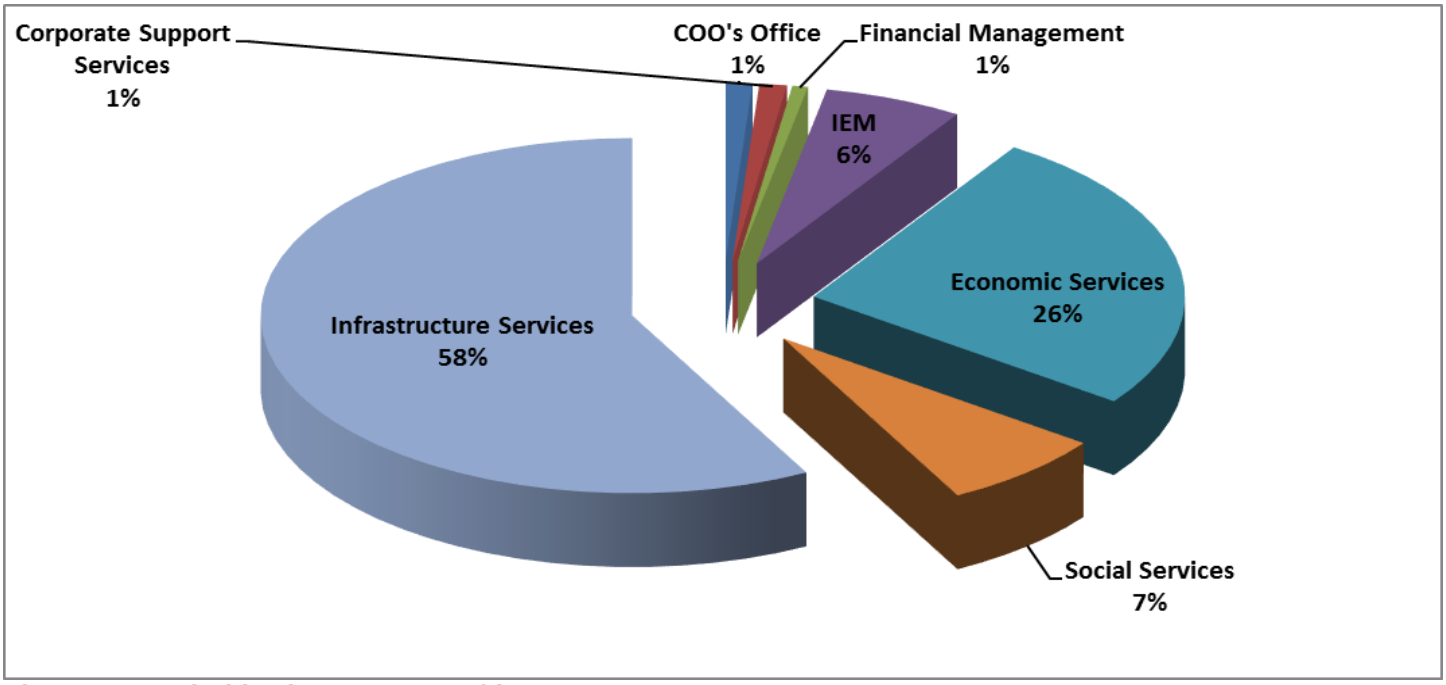



**Figure 6: Capital budget per votes/departments**

The following table is a summary of the 2017/2018 MTREF (classified by main revenue source):

**Table 2 Summary of revenue classified by main revenue source**

| Description | 2013/14 | 2014/15 | 2015/16 | Current Year 2016/17 | | | | 2017/18 Medium Term Revenue & Expenditure Framework | | |
|---|---|---|---|---|---|---|---|---|---|---|
| R thousand | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Pre-audit outcome | Budget Year +1 2017/18 | Budget Year +1 2018/19 | Budget Year +2 2019/20 |
| **Revenue By Source** | | | | | | | | | | |
| Property rates | 308 723 | 394 495 | 438 295 | 449 640 | 422 224 | 422 224 | 422 224 | 505 638 | 534 459 | 564 389 |
| Property rates- Penality imposed and collection charges | 32 026 | 24 995 | 25 046 | 24 329 | 30 292 | 30 292 | 30 292 | 32 231 | 34 068 | 35 976 |
| Service charges - electricity revenue | 723 268 | 775 086 | 834 569 | 909 545 | 845 771 | 845 771 | 845 771 | 878 587 | 881 311 | 884 043 |
| Service charges - water revenue | 193 750 | 216 547 | 302 196 | 291 001 | 224 651 | 224 651 | 224 651 | 252 058 | 277 768 | 306 101 |
| Service charges - sanitation revenue | 105 155 | 127 544 | 136 170 | 153 205 | 126 627 | 126 627 | 126 627 | 136 758 | 144 553 | 152 648 |
| Service charges - refuse revenue | 100 636 | 104 034 | 112 534 | 118 524 | 103 148 | 103 148 | 103 148 | 111 400 | 117 750 | 124 344 |
| Rental of facilities and equipment | 2 969 | 3 366 | 3 316 | 3 446 | 3 496 | 3 496 | 3 496 | 3 497 | 3 697 | 3 907 |
| Interest earned - external investments | 12 624 | 17 286 | 15 347 | 2 040 | 1 552 | 1 552 | 1 552 | 5 957 | 6 296 | 6 649 |
| Interest earned - outstanding debtors | 14 518 | 22 291 | 17 036 | 41 507 | 28 411 | 28 411 | 28 411 | 34 436 | 36 399 | 38 437 |
| Dividends received | 34 | 19 | 20 | - | - | - | - | - | - | - |
| Fines | 170 003 | 107 415 | 135 658 | 30 000 | 20 399 | 20 399 | 20 399 | 35 529 | 27 512 | 29 053 |
| Licences and permits | 28 | 19 | 28 | 29 | 21 | 21 | 21 | 23 | 25 | 26 |
| Agency services | 21 408 | 22 184 | 24 961 | 22 184 | 25 772 | 25 772 | 25 772 | 26 041 | 27 525 | 29 066 |
| Transfers recognised - operational | 239 158 | 250 762 | 272 822 | 298 444 | 297 349 | 297 349 | 297 349 | 345 334 | 387 809 | 429 279 |
| Other revenue | 86 097 | 93 814 | 127 057 | 26 801 | 191 433 | 191 433 | 191 433 | 232 680 | 224 803 | 237 392 |
| Gains on disposal of PPE | - | - | - | 20 000 | 0 | 0 | 0 | 20 000 | - | - |
| **Total Revenue (excluding capital transfers and contributions)** | **2 010 397** | **2 159 857** | **2 445 055** | **2 390 694** | **2 321 149** | **2 321 149** | **2 321 149** | **2 620 168** | **2 703 974** | **2 841 310** |

**Table 3 Percentage growth in revenue by main revenue source**

| Description R thousand | Current Year 2016/2017 | | 2017/2018 Medium Term Revenue & Expenditure Framework | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Adjusted Budget | % | Budget Year 2017/2018 | % | Budget Year +1 2018/2019 | % | Budget Year +2 2019/2020 | % |
| Property rates | 422 224 | 18% | 505 638 | 19% | 534 459 | 20% | 564 389 | 20% |
| Service charges - electricity revenue | 845 771 | 36% | 878 587 | 34% | 881 311 | 33% | 884 043 | 31% |
| Service charges - water revenue | 224 651 | 10% | 252 058 | 10% | 277 768 | 10% | 306 101 | 11% |
| Service charges - sanitation revenue | 126 627 | 5% | 136 758 | 5% | 144 553 | 5% | 152 648 | 5% |
| Service charges - refuse revenue | 103 148 | 4% | 111 400 | 4% | 117 750 | 4% | 124 344 | 4% |
| Service charges – other | 30 292 | 1% | 32 231 | 1% | 34 068 | 1% | 35 976 | 1% |
| Rental of facilities and equipment | 3 496 | 0% | 3 497 | 0% | 3 697 | 0% | 3 907 | 0% |
| Interest earned - external investments | 1 552 | 0% | 5 957 | 0% | 6 296 | 0% | 6 649 | 0% |
| Interest earned – outstanding debtors | 28 411 | 1% | 34 436 | 1% | 36 399 | 1% | 38 437 | 1% |
| Fines | 20 399 | 1% | 35 529 | 1% | 27 512 | 1% | 29 053 | 1% |
| Licences and permits | 21 | 0% | 23 | 0% | 25 | 0% | 26 | 0% |
| Agency services | 25 772 | 1% | 26 041 | 1% | 27 525 | 1% | 29 066 | 1% |
| Transfers recognised - operational | 297 349 | 13% | 345 334 | 13% | 387 809 | 14% | 429 279 | 15% |
| Other revenue | 191 433 | 8% | 252 680 | 10% | 224 803 | 8% | 237 392 | 8% |
| **Total Revenue (excluding capital transfers and contributions)** | **2 321 149** | **100%** | **2 620 168** | **100%** | **2 703 974** | **100%** | **2 841 310** | **100%** |
| **Total revenue from rates and service charges** | **1 722 422** | **74%** | **1 884 441** | **72%** | **1 955 840** | **72%** | **2 031 524** | **71%** |

**In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit.**

Revenue generated from rates and service charges forms a significant percentage of the revenue basket for Mogale City. Rates and service charges revenues comprise 72 per cent of the total revenue mix during 2017/2018 financial year and decreases gradually over MTREF. During 2016/2017 financial year, revenue from rates and services charges totalled R1.7 billion or 74 per cent. This increases to R1.8 billion, R1.9 billion and R2.0 billion in the respective financial years of the MTREF. A notable trend is the decrease in the total percentage revenue generated from rates and services charges which decreases from 74 per cent in 2016/2017 Adjustment Budget to 71 per cent in 2019/2020 financial year. This decline can be mainly attributed to single digit increases, the sale of electricity contributes to the total revenue mix and budgeting for realistically anticipated revenues. The above table includes revenue foregone arising from discounts and rebates associated with the tariff policies of the Municipality.

Property rates is the second largest revenue source totalling 20 per cent or R505, 637 million rand and increases to R564, 389 million by 2019/2020. The third largest sources (besides other service charges) is transfer recognised-operational and fourth largest is 'other revenue' which consists of various items such as income received from rental of facilities, traffic fines, income from agency fees, building plan fees, connection fees, cemetery fees and advertisement fees. Departments have been urged to review the tariffs of these items on an annual basis to ensure they are cost reflective and market related.

Operating grants and transfers totals R345,333 million in the 2017/2018 financial year an increase of 16 per cent when compared to 2016/2017 Adjustment Budget this increase can attributed to Equitable Share which increase by R42,255 million, and steadily increases to R429,279 million by 2019/2020. Fiscal constraints mean that transfers to municipalities will grow more slowly in the period ahead than they have in the past

**The following table gives a breakdown of the various operating grants and subsidies allocated to the municipality over the medium term:**

## Table 4 Operating Transfers and Grant Receipts

| Description | 2013/14 | 2014/15 | 2015/16 | Current Year 2016/17 | | | 2017/18 Medium Term Revenue & Expenditure Framework | | |
|---|---|---|---|---|---|---|---|---|---|
| R thousand | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Budget Year 2017/18 | Budget Year +1 2018/19 | Budget Year +2 2019/20 |
| **EXPENDITURE:** | | | | | | | | | |
| | | | | | | | | | |
| **Operating expenditure of Transfers and Grants** | | | | | | | | | |
| **National Government:** | **229 221** | **243 843** | **264 858** | **291 020** | **286 278** | **286 278** | **332 969** | **375 068** | **415 376** |
| Local Government Equitable Share | 222 291 | 238 641 | 259 185 | 285 456 | 281 683 | 281 683 | 323 938 | 370 843 | 410 961 |
| Finance Management | 1 300 | 1 450 | 1 450 | 1 475 | 1 475 | 1 475 | 1 550 | 1 550 | 1 550 |
| Municipal Systems Improvement | 783 | - | 961 | - | - | - | - | - | - |
| EPWP Integrated Grant | 2 873 | 2 052 | 1 266 | 1 089 | 1 089 | 1 089 | 4 917 | - | - |
| MIG (PMU) | 1 974 | 1 700 | 1 996 | 3 000 | 2 031 | 2 031 | 2 564 | 2 675 | 2 865 |
| **Provincial Government:** | **6 265** | **4 267** | **5 056** | **7 424** | **7 986** | **7 986** | **9 280** | **9 480** | **10 460** |
| Sport and Recreation | 3 623 | 4 267 | 4 882 | 7 424 | 7 986 | 7 986 | 9 280 | 9 480 | 10 460 |
| Social Development - GDSD | 2 642 | - | - | - | - | - | - | - | |
| GDARD: Environmental Planning & Impact Assessment | - | - | 174 | - | - | - | - | - | |
| **District Municipality:** | **2 672** | **2 652** | **2 908** | **-** | **3 085** | **3 085** | **3 085** | **3 261** | **3 443** |
| HIV & AIDS | 2 672 | 2 652 | 2 908 | - | 3 085 | 3 085 | 3 085 | 3 261 | 3 443 |
| **Total operating expenditure of Transfers and Grants:** | **238 158** | **250 762** | **272 822** | **298 444** | **297 349** | **297 349** | **345 334** | **387 809** | **429 279** |

Tariff-setting is a pivotal and strategic part of the compilation of any budget. **When rates, tariffs and other charges were revised local economic conditions, salary and wage increases, other input costs of services provided by the municipality**, Tariff setting takes place within the framework of the City's Tariff Policy. The Policy is premised on the following principles:

- Social: affordability of services, promotion of access to services, cross- subsidization of the poor where necessary and feasible, simple and easy to implement tariff structure.
- Economic: competitiveness of the City, in support of macroeconomic policies of the country, tariffs must positively influence microeconomic input costs facing firms.
- Financial: Cost- reflective tariffs linked to medium term financial framework.

The percentage increase of Rand Water bulk tariffs are beyond the mentioned inflation target. Given that this tariff increase is determined by an external agency, the impact it has on the municipality's water and sanitation tariffs are largely outside the control of the municipality.

## The Eskom price increase of bulk electricity supplied to municipalities will increase by 2.2 per cent on 01st July 2017.

On 23 February 2017, the Energy Regulator granted Eskom an annual average increase of 2.2% leading to a bulk purchase increase of 0.31% for municipalities. This is due to the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) ('the MFMA') time lag (the municipalities' implementation date is 01 July whereas Eskom's financial year starts on 01 April).

In developing the guideline, the following assumptions on cost increases were made:
a) Bulk purchases will increase by 1.88% as indicated in the Eskom standard tariff submission for the 2017/18 financial year.
b) Consumer Price Index (CPI) – 6.2%.
c) Salary increase – CPI plus 1%.
d) Repairs and maintenance, capital charges and other costs will increase by CPI.

Benchmarks are based on five tariff categories and the corresponding average consumption levels. NERSA acknowledges that these are average consumption levels and that there may also be other tariff classes at various municipalities that will cater for other customer classes or consumption levels. Where such circumstances exist, the municipality's tariff applications will be treated on a case-by-case basis.

In compliance with the provision of the Municipal Finance Management Act and the Bulk Water Supply Contract, Rand Water notified Mogale City on the 28 March 2017 that the potable water tariff increase will be effective from 01 July 2017 to 30 June 2018 will be 14 per cent less 2.9 per cent rebate to customers therefore the increment will be 10.2 per cent (833.497031 cents per litre).

**Stepped Tariff and Water Restrictions**

On the 13th March 2017, the Minister removed the 15% water restrictions that had been imposed on the 09th August 2016. Rand Water proposed a stepped tariff, premised on the potential failure to meet this water restriction by local municipalities. With the removal of this water restriction the stepped tariff is no longer applicable.

**Furthermore, in terms of the Water Research Act, Act 34 of 1971 Rand Water must collect the Water Research Levy. This is not part of Rand Water's tariff. Rand Water will inform all Municipalities in due course about the 2017/18 WRC tariff levy increase as soon as it has been gazetted. The budget for purchase of water does not include this water research levy.**

It must also be appreciated that the consumer price index is not a good measure of the cost increases of goods and services relevant to municipalities. The basket of goods and services utilized for the calculation of the CPI consist of items such as food, petrol and medical services, whereas the cost drivers of a municipality are informed by items such as the cost of remuneration, bulk purchases of electricity and water, petrol, diesel, chemicals, etc. The current challenge facing Mogale City is managing the gap between cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions.**Within this framework the municipality has undertaken the tariff setting process relating to service charges as follows:**

### 1.5.1 Property Rates

Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process.

National Treasury's MFMA Circular No. 51 deals, inter alia with the implementation of the Municipal Property Rates Act, with the regulations issued by the Department of Cooperative Governance. MFMA Budget Circular 86 for the 2017/18 MTREF encourages municipalities ***"to maintain tariff increases at levels that reflect an appropriate balance between the affordability to poorer households and other customers while ensuring the financial sustainability of the municipality".***

**Some categories have been limited to rateable properties in line with MPRA Amendment section 8 (2) a-j. (Government Gazette no.37922: 18 August 2014).**

The categories of rate-able properties for purposes of levying rates and the proposed rates for the 2017/18 financial year based on a **6 per cent** increase from 01st July 2017 is contained below:

**Table 5 Proposed rates to be levied for the 2017/2018 financial year**

| Excluding VAT | 2016/2017 | 2017/2018 | Increase | PRIMARY VALUATION REDUCTION | ADDITIONAL VALUATION REDUCTION | TARIFF REBATE | ADDITIONAL REBATE | |
|---|---|---|---|---|---|---|---|---|
| CATEGORY | R | R | 6% | REBATE | REBATE | | | |
| COMMERCIAL | 0,02768 | 0,02934 | 6,0% | | | | | |
| RESIDENTIAL | 0,01384 | 0,01467 | 6,0% | -15 000 | -25 000 | 40% | | |
| MUNICIPAL | 0,02768 | 0,02934 | 6,0% | | | | 100% (Exempted) | |
| VACANT PROPERTIES | 0,05537 | 0,05869 | 6,0% | | | | | |
| INDUSTRIAL | 0,02768 | 0,02934 | 6,0% | | | | | |
| STATE OWNED PROPERTIES NON-RESIDENTIAL | 0,02768 | 0,02934 | 6,0% | | | | | |
| STATE OWNED PROPERTIES RESIDENTIAL | 0,01384 | 0,01467 | 6,0% | -15 000 | -25 000 | 40% | | |
| AGRICULTURAL - BUSINESS | 0,02768 | 0,02934 | 6,0% | | | | | |
| AGRICULTURAL | 0,01384 | 0,00367 | -73,5% | | | | | Ratio 1:25 |
| AGRICULTURAL - RESIDENTIAL | 0,01384 | 0,01467 | 6,0% | -15 000 | -25 000 | 40% | | |
| PUBLIC BENEFIT ORGANIZATION | 0,01384 | 0,00367 | -73,5% | | | | | Ratio 1:25 |
| INDIGENTS | 0,01384 | 0,01467 | 6,0% | -15 000 | -25 000 | 40% | 100% (Exempted) | |
| PENSIONER REBATE. PROPERTY TAX | 0,01384 | 0,01467 | 6,0% | -15 000 | -25 000 | 40% | 40% | |
| PUBLIC SERVICE INFRASTRUCTURE (PSI) | 0,01384 | 0,00367 | -73,5% | | | | | Ratio 1:25 |
| PRIVATE OPEN SPACE | 0,01409 | 0,01494 | 6,0% | | | 75% | | |
| SPECIAL USE | 0,02536 | 0,02688 | 6,0% | | | | | |

### 1.5.2 Sale of Water and Impact of Tariff Increases

South Africa faces similar challenges with regard to water supply as it did with electricity, since demand growth outstrips supply and high percentage of water losses. Mogale City is facing similar dilemma as any municipality in our Country. Consequently, **National Treasury is encouraging all municipalities to carefully review the level and structure of their water tariffs to ensure:**

- Water tariffs are fully cost-reflective – including the cost of maintenance and renewal of purification plants, water networks and the cost associated with reticulation expansion;
- Water tariffs are structured to protect basic levels of service and ensure the provision of free water to the poorest of the poor (indigent); and
- Water tariffs are designed to encourage efficient and sustainable consumption.

Municipalities must have an appropriate strategy to limit water losses to acceptable levels.
**Water losses in 2015/2016 audited financial statements was 49.8 per cent or R89, 381,666, this includes 15 per cent of apparent losses.** Infrastructure Department strategy must be implemented to curb these high water losses.

The reality is: Water loss interventions are not an overnight process whereby you are able to make a meaningful impact within the shortest period of time.

Better maintenance of infrastructure, new reservoirs construction, purchase of bulk water meters and cost-reflective tariffs will ensure that the supply challenges are managed in future to ensure sustainability.

**A tariff increase of 10.2 per cent from 1 July 2017 for water is therefore proposed**.

**A summary of the proposed tariffs for households (residential) and non-residential are as follows:**

**Table 6 Proposed Water Tariffs**

| CATEGORY | CURRENT TARIFFS 2016/17 | PROPOSED TARIFFS 2017/18 | INCREASE |
|---|---|---|---|
| | Rand per kℓ | Rand per kℓ | % |
| **RESIDENTIAL** | | | |
| (i) 0 to 6 kℓ | 0 | 0 | |
| (ii) 7 to 15 kℓ | 17,54 | 19,33 | 10,2% |
| (iii) 16 to 30 kℓ | 21,75 | 23,97 | 10,2% |
| (iv) 31 to 45 kℓ | 25,31 | 27,90 | 10,2% |
| (v) 46 to 60kℓ | 27,92 | 30,77 | 10,2% |
| (vi) 61 kl + above | 30,51 | 33,63 | 10,2% |
| Other consumers: Schools, NGO's and Hospitals Per kl | 20,32 | 22,39 | 10,2% |
| **NON-RESIDENTIAL (Business & Industrial)** | | | |
| (i) 0 – 500 kℓ | 25,36 | 27,94 | 10,2% |
| (ii) 500 + above | 19,03 | 20,97 | 10,2% |

### 1.5.3 Sanitation and Impact of Tariff Increases

A tariff increase of 10.2 per cent for sanitation from 1st July 2017 is proposed. **It should be noted that electricity costs contributes approximately 6 per cent of waste water treatment input costs, therefore higher than CPI increase of 10.2 per cent for sanitation tariffs and also taking into consideration the maintenance and replacement of old waste water plants.** The following factors also contribute to the proposed tariff increase:

- Free sanitation (100 per cent of 6 kℓ water) will be applicable to registered indigents; and
- The total revenue expected to be generated from rendering this service amounts to R136, 757 million for the 2017/2018 financial year.

The following table compares the current and proposed tariffs:

**Table 7 Proposed sanitation tariff charges**

| Category/Land Use (Irrespective of the quantity of water supplied to the premises | CURRENT TARIFFS 2016/2017 | PROPOSED TARIFFS 2017/2018 | INCREASE |
|---|---|---|---|
| | R | R | % |
| Additional Sewerage fixed usage 30kl /month | 200,74 | 221,22 | 10,2% |
| Basic Charges per m2 | 0,03 | 0,03 | 10,2% |
| Additional Sewerage for Rietvallei/Lusaka/Ga-Mogale | 197,33 | 217,46 | 10,2% |
| Business, School , NGO, Hospital Consumer, additional sewage prior year to date average kl usage/months | 6,70 | 7,39 | 10,2% |
| Basic Sewerage Fixed usage 30kl/month : Vacant stan | 4,05 | 4,46 | 10,2% |

### 1.4.4 Sale of Electricity and Impact of Tariff Increases

On the 23rd February 2017, the National Energy Regulator of South Africa (NERSA), issued a media statement saying that Eskom's allowed revenue for 2017/18 would result in a 2.2 per cent increase in the approved bulk tariffs for Eskom that year. NERSA's consultation paper on tariff benchmarking indicates that this will result in a 1.88 per cent increase in bulk tariffs to municipalities (the difference is due to the different financial years of Eskom and municipalities).

The Minister of Finance, at the request of the Minister of Public Enterprises, has granted an extension until 5 April 2017 for the tabling of Eskom's 2017/18 bulk prices for municipalities. Municipalities must ensure that their budgets are informed by Eskom's bulk tariff to be tabled on that date.

Registered indigents will again be granted 50 kWh per month free of charge.

## Table 8 Proposed Electricity Tariffs

| MOGALE CITY LOCAL MUNICIPALITY<br>PROPOSED ELECTRICITY TARIFFS: 2017/2018 | | | | | | | Schedule 3<br>2017-2018 | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | 2016-17 MLCM Approved TARIFFS | 2017-18 MLCM Proposed TARIFFS | |
| Updated: 2017/03/21 | | | | | | | 7,64% | 1,88% | Mogale City % Increase/Decrease |
| Excluding VAT | Tariff Code | | | | | | Mogale City Approved Tariffs Jul 2016 | Mogale City Approved Tariffs Jul 2017 | |
| | | | | | | | 2016/2017 | 2017/18 | 2017/2018 |
| ENVIRONMENTAL ELECTRICITY LEVY | | R / kWh Sold | | | | | R | R | % |
| **1. Domestic - Single Consumers** | | | | | | | | | |
| **1.1. Pre-Paid** | | | | | | | | | |
| **1.1.1. Pre-Paid: Single Phase** | | | | | | | | | |
| 1.1.1.1. Energy (R/kWh) | 0269 | kWh Consumption: 1 - 1 000 kWh / Month | | | | | 1,552 | 1,5813 | 1,88% |
| **1.1.1.2.** Energy (R/kWh) | NEW | kWh Consumption: 1 001 - 1 500 kWh / Month | | | | | 1,534 | 1,5626 | 1,88% |
| **1.1.1.3.** Energy (R/kWh) | NEW | kWh Consumption: > 1 500 kWh / Month | | | | | 1,596 | 1,6255 | 1,88% |
| Fixed Charge (R/A/CB rating) | | | | | | | | | |
| **1.1.2. Pre-Paid: Three Phase** | | | | | | | | | |
| **1.1.2.1.** Energy (R/kWh) | | kWh Consumption: 1 - 1 000 kWh / Month | | | | | 1,4221 | 1,4489 | 1,88% |
| **1.1.2.2.** Energy (R/kWh) | NEW | kWh Consumption: 1 001 - 1 500 kWh / Month | | | | | 1,5767 | 1,6064 | 1,88% |
| **1.1.2.3.** Energy (R/kWh) | NEW | kWh Consumption: > 1 500 kWh / Month | | | | | 1,6403 | 1,6712 | 1,88% |
| Fixed Charge (R/A/CB rating) | | | | | | | | | |
| **1.2. Life Line (Poor Households) (Conventional and Pre-Paid Metering)** | | | | | | 350 kWh / Month and 30 Ampere Connection Maximum | | | |
| 1.2.1. Energy (R/kWh) | 0277 | kWh Consumption: 51 - 350 kWh / Month | | | | | 1,0141 | 1,0331 | 1,88% |
| 1.2.2. Energy (R/kWh) | NEW | kWh Consumption: 351 - 500 kWh / Month | | | | | 1,1227 | 1,1438 | 1,88% |
| 1.2.3. Energy (R/kWh) | NEW | kWh Consumption: 501 - 750 kWh / Month | | | | | 1,3525 | 1,3779 | 1,88% |
| 1.2.4. Energy (R/kWh) | NEW | kWh Consumption: > 751 kWh / Month | | | | | 1,5952 | 1,6252 | 1,88% |
| Fixed Charge (R/A/CB rating) | | | | | | | | | |
| **1.3. Two-Part** | | | | | | | | | |
| 1.3.1. Energy (R/kWh) | 0270 | | | | | | 1,0816 | 1,1019 | 1,88% |
| 1.3.2. Fixed Charge (R/A/CB rating) (60A) | 0200 | | | | | | 4,74 | 4,8252 | 1,88% |
| **1.4. Two-Part: Time-of-Use** | | | | | | | | | |
| Energy (R/kWh): | | | | | | | | | |
| 1.4.1. During Eskom PEAK Times | 0236 | | | | | | 2,7640 | 2,8159 | 1,88% |
| 1.4.2. During Eskom STANDARD Times | 0237 | | | | | | 1,2849 | 1,3091 | 1,88% |
| 1.4.3. During Eskom OFF-PEAK Times | 0238 | | | | | | 0,8569 | 0,8730 | 1,88% |
| 1.4.4. Fixed Charge (R/A/CB rating) | 0216 | | | | | | 4,73 | 4,8142 | 1,88% |
| **1.5. FREE Basic Electricity** | | Poor households - | | 50 kWh / Month | | | - | | |
| **2. Domestic - Bulk Consumers Low Voltage** | | | | | | | | | |
| **2.1. Three-Part** | | | | | | | | | |
| 2.1.1. Energy (R/kWh) | 240 | | | | | | 0,8382 | 0,8540 | 1,88% |
| 2.1.2. Fixed Charge (Rand/Month) | 212 | | | | | | 526,47 | 536,3648 | 1,88% |
| 2.1.3. Demand Charge ( R/kVA ) | 241 | | | | | | 97,35 | 99,1798 | 1,88% |
| 2.1.4. Reactive Energy Charge (R/kvarh) | NEW | | | | | | 0,1968 | 0,2005 | 1,88% |
| **2.2. Time-of-Use:** | | | | | | | | | |
| 2.2.1. Energy Charge (R/kWh) | | **Weekdays** | **Saturday** | **Sunday** | | | | | |
| Peak | 242 | 07:00 -10:00<br>18:00 -20:00 | N/A | N/A | | High Demand(Jun-Aug) | 3,8665 | 3,9392 | 1,88% |
| | 243 | | | | | Low Demand(Sep-May) | 1,0800 | 1,1003 | 1,88% |
| Standard | 244 | 06:00 -07:00<br>10:00 -18:00<br>20:00 -22:00 | 07:00 -12:00<br>18:00 -20:00 | N/A | | High Demand(Jun-Aug) | 1,0800 | 1,1003 | 1,88% |
| | 245 | | | | | Low Demand(Sep-May) | 0,6617 | 0,6741 | 1,88% |
| Off-Peak | 246 | 22:00 -06:00 | 12:00 -18:00<br>20:00 -07:00 | 00:00 -24:00 | | High Demand(Jun-Aug) | 0,5369 | 0,5470 | 1,88% |
| | 247 | | | | | Low Demand(Sep-May) | 0,4625 | 0,4712 | 1,88% |
| 2.2.2. Fixed Charge (Rand/Month) | 213 | | | | | | 526,47 | 536,3676 | 1,88% |
| 2.2.3. Demand Charge ( R/kVA ) | 248 | | | | | | 93,8406 | 95,6048 | 1,88% |
| 2.2.4. Reactive Energy Charge (R/kvarh) | NEW | | | | | | 0,1968 | 0,2005 | 1,88% |
| **3. Domestic - Bulk Consumers High Voltage** | | | | | | | | | |
| **3.1. Three-Part** | | | | | | | | | |
| 3.1.1. Energy (R/kWh) | 249 | | | | | | 0,6946 | 0,7077 | 1,88% |
| 3.1.2. Fixed Charge (Rand/Month) | 214 | | | | | | 4 834,64 | 4 925,5311 | 1,88% |
| 3.1.3. Demand Charge ( R/kVA ) | 250 | | | | | | 69,46 | 70,7659 | 1,88% |
| 3.1.4. Reactive Energy Charge (R/kvarh) | NEW | | | | | | 0,1968 | 0,2005 | 1,88% |
| **3.2. Time-of-Use** | | | | | | | | | |
| 3.2.1. Energy Charge (R/kWh) | | **Weekdays** | **Saturday** | **Sunday** | | | | | |
| Peak | 251 | 07:00 -10:00<br>18:00 -20:00 | N/A | N/A | | High Demand(Jun-Aug) | 4,1309 | 4,2086 | 1,88% |
| | 252 | | | | | Low Demand(Sep-May) | 1,1535 | 1,1752 | 1,88% |
| Standard | 253 | 06:00 -07:00<br>10:00 -18:00<br>20:00 -22:00 | 07:00 -12:00<br>18:00 -20:00 | N/A | | High Demand(Jun-Aug) | 1,0741 | 1,0943 | 1,88% |
| | 254 | | | | | Low Demand(Sep-May) | 0,7069 | 0,7202 | 1,88% |
| Off-Peak | 255 | 22:00 -06:00 | 12:00 -18:00<br>20:00 -07:00 | 00:00 -24:00 | | High Demand(Jun-Aug) | 0,5737 | 0,5845 | 1,88% |
| | 256 | | | | | Low Demand(Sep-May) | 0,5737 | 0,5845 | 1,88% |
| 3.2.2. Fixed Charge (Rand/Month) | 215 | | | | | | 5 804,28 | 5 913,4030 | 1,88% |
| 3.2.3. Demand Charge ( R/kVA ) | 257 | | | | | | 83,39 | 84,9564 | 1,88% |
| 3.2.4. Reactive Energy Charge (R/kvarh) | NEW | | | | | | 19,6800 | 20,0500 | 1,88% |
| **4. Commercial and Industrial - Small Consumers** | | | | | | | | | |
| **4.1. Two-Part** | | | | | | | | | |
| 4.1.1. Energy (R/kWh) | 0271 | | | | | | 1,4372 | 1,4642 | 1,88% |
| 4.1.2. Fixed Charge (R/A/CB rating) | 0209 | | | | | | 5,82 | 5,9328 | 1,88% |
| **4.2. Two-Part: Time-of-Use** | | | | | | | | | |
| 4.2.1. Energy (R/kWh): | | | | | | | | | |
| 4.2.1.1. During Eskom PEAK Times | 0233 | | | | | | 2,9063 | 2,9609 | 1,88% |
| 4.2.1.2. During Eskom STANDARD Times | 0234 | | | | | | 1,3662 | 1,3919 | 1,88% |
| 4.2.1.3. During Eskom OFF-PEAK Times | 0235 | | | | | | 0,8972 | 0,9140 | 1,88% |
| 4.2.2. Fixed Charge (R/A/CB rating) | 0217 | | | | | | 5,82 | 5,9328 | 1,88% |
| **4.3. Pre-Paid** | | | | | | | | | |
| **4.3.1. Pre-Paid: Single Phase** | | **Maximum Consumption: 1 000 kWh / Month** | | | | | | | |
| 4.3.1.1. Energy (R/kWh) | 0269 | | | | | | 1,4976 | 1,5258 | 1,88% |
| 4.3.1.2. Fixed Charge (R/A/CB rating) | | NO Charge | | | | | | | |
| **4.3.2. Pre-Paid: Three Phase** | | **Maximum Consumption: 1 000 kWh / Month** | | | | | | | |
| 4.3.2.1. Energy (R/kWh) | | | | | | | 1,8700 | 1,9052 | 1,88% |
| 4.3.2.2. Fixed Charge (R/A/CB rating) | | NO Charge | | | | | | | |
| **5. Commercial & Industrial - Bulk Consumers Low Voltage** | | | | | | | | | |
| **5.1. Three-Part** | | | | | | | | | |
| 5.1.1. Energy (R/kWh) | 0273 | | | | | | 0,8440 | 0,8599 | 1,88% |
| 5.1.2. Fixed Charge (Rand/Month) | 0202 | | | | | | 526,47 | 536,3648 | 1,88% |
| 5.1.3. Demand Charge ( R/kVA ) | 0291 | | | | | | 100,01 | 101,8885 | 1,88% |
| 5.1.4. Reactive Energy Charge (R/kvarh) | NEW | | | | | | 0,1968 | 0,2005 | 1,88% |

### 1.5.3 Refuse Removal and Impact of Tariff Increase

A tariff increase of 6 per cent for sanitation from 1st July 2017 is proposed.

The following table compares current and proposed amounts payable from 1st July 2017:

**Table 9 Proposed refuse removal**

| CATEGORY | 2016/2017 | 2017/2018 | INCREASE |
|---|---|---|---|
| **MOBILE REFUSE CONTAINERS 240L BINS** | **Per month ®** | | |
| Domestic Refuse:One removal per week per 240l container per month or part thereof | 137,30 | 145,54 | 6% |
| Domestic Refuse:Daily Removal per 240L cotainer per month or part thereof | 823,77 | 873,20 | 6% |
| Business Refuse: One removal per week per 240l container per month or part threof | 320,38 | 339,60 | 6% |
| Business Refuse:Daily removal per 240l container per month or part thereof | 1 281,42 | 1 358,31 | 6% |
| Handling /Delivery Fees per container to be delivered | 91,47 | 96,96 | 6% |
| Replacement of lost/damaged container (payable in advance if fault of user) | 823,86 | 873,29 | 6% |
| | | | |
| **BIN LINERS** | | | |
| Business Refuse:two removals per week with a maximum of one bin liner with a capacityof 851 per removal per month or part thereof | 112,52 | 119,27 | 6% |
| Business Refuse:two removals per week with a maximum of one bin liner with a capacityof 851 per removal per month or part thereof | 289,47 | 306,84 | 6% |

## 1.6 Operating Expenditure Framework

The following table is a high level summary of the 2017/2018 budget and MTREF (classified per main type of operating expenditure):

**Table 10 Summary of operating expenditure by standard classification item**

| Description | 2013/14 | 2014/15 | 2015/16 | Current Year 2016/17 | | | | 2017/18 Medium Term Revenue & Expenditure Framework | | |
|---|---|---|---|---|---|---|---|---|---|---|
| R thousand | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Pre-audit outcome | Budget Year 2017/18 | Budget Year +1 2018/19 | Budget Year +2 2019/20 |
| **Expenditure By Type** | | | | | | | | | | |
| Employee related costs | 485 526 | 536 545 | 579 792 | 655 743 | 652 198 | 652 198 | 652 198 | 710 663 | 750 825 | 798 878 |
| Remuneration of councilors | 24 074 | 25 254 | 26 690 | 28 764 | 34 965 | 34 965 | 34 965 | 37 062 | 39 434 | 41 958 |
| Debt impairment | 221 290 | 228 042 | 186 321 | 96 500 | 161 540 | 161 540 | 161 540 | 92 474 | 98 023 | 103 904 |
| Depreciation & asset impairment | 269 485 | 229 604 | 259 561 | 298 154 | 247 000 | 247 000 | 247 000 | 113 830 | 100 718 | 95 475 |
| Finance charges | 38 049 | 43 110 | 36 282 | 52 094 | 53 808 | 53 808 | 53 808 | 48 467 | 34 429 | 28 153 |
| Bulk purchases | 657 955 | 699 766 | 807 589 | 922 981 | 930 561 | 930 561 | 930 561 | 945 596 | 986 394 | 1 045 578 |
| Contracted services | 175 811 | 195 885 | 243 139 | 243 035 | 221 201 | 221 201 | 221 201 | 169 157 | 178 606 | 188 231 |
| Transfers and grants | 25 462 | 43 097 | 96 080 | 57 571 | 52 244 | 52 244 | 52 244 | 56 072 | 54 174 | 57 353 |
| Other expenditure | 210 321 | 236 801 | 292 755 | 321 165 | 222 961 | 222 961 | 222 961 | 258 512 | 250 053 | 254 846 |
| Repairs & maintenance | 69 372 | 66 562 | 77 459 | 107 087 | 84 761 | 84 761 | 84 761 | 88 056 | 93 047 | 98 530 |
| **Total Expenditure** | **2 177 345** | **2 304 666** | **2 605 668** | **2 783 094** | **2 661 239** | **2 661 239** | **2 661 239** | **2 519 890** | **2 585 703** | **2 712 907** |

- The budgeted allocation for employee related costs for the 2017/18 financial year total R710,662,866 which equals 28 per cent of the total operating expenditure, Employee related cost overall will increase by 7.35 per cent based on *Salary and Wage Collective Agreement* for the period 01 July 2015 to 30 June 2018. The preparation of the 2017/18 MTREF constitutes implementation of the last year of the agreement which municipalities must implement as follows:
- *2017/18 Financial Year – average CPI (Feb 2016 – Jan 2017) + 1 per cent*

- The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation (Government Notice No.313:03 April 2017 that rescind Government Gazette no.1600:15 December 2016) in this regard has been taken into account in compiling the City's budget and increase of 6 per cent was factored in taking into consideration.

- The provision of debt impairment was determined based on an annual collection rate of 96 per cent. For the 2017/18 financial year this amount equates to R92, 474,141 and increased to R103, 903,945 by 2019/20. While this expenditure is considered to be a non-cash flow item, it informed the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues.

- Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate of asset consumption. Budget appropriations in this regard total R113, 829,900 for the 2017/18 financial and equates to 4 per cent of the total operating expenditure.

- Finance charges consist primarily of the repayment of interest on long-term borrowing (cost of capital). Finance charges make up 2 per cent or R48, 466,913 of operating expenditure excluding annual capital redemption of R118, 981,251. Total loans acquired by the City will be R453, 346,115.

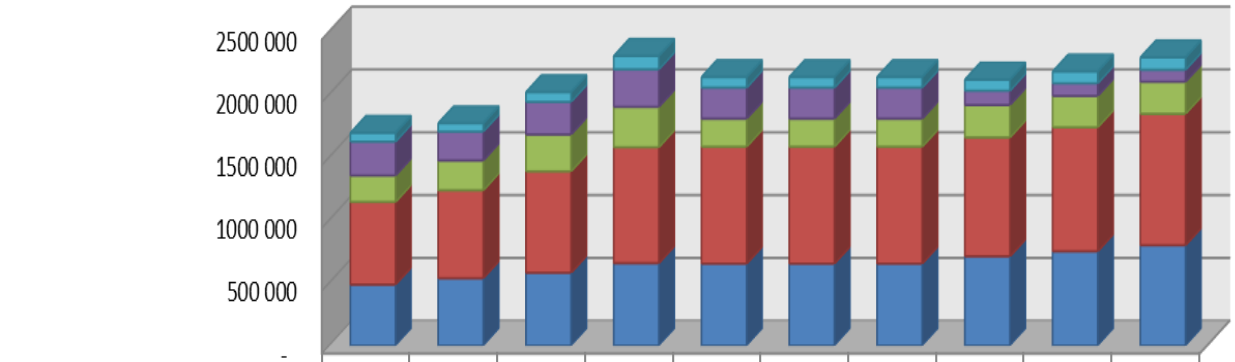
- Bulk purchases are directly informed by the purchase of electricity from Eskom and water from Rand Water. The annual price increases have been factored into the budget appropriations and directly inform the revenue provisions. **The expenditures exclude distribution losses.**

- In line with the City's repairs and maintenance plan this group of expenditure has been prioritised to ensure sustainability of the City's infrastructure. For 2017/18 the appropriation against this group of expenditure is R88, 056,248 which is 3.4 per cent of the total operating expenditure and steadily grows at 3.6 per cent over the MTREF.

- Other general expenses have been identified as one of the highest cost drivers for the City. In the 2017/18 financial year, this group of expenditure totals R258,512,147 or 10.6 per cent of the total operating budget this includes non-cash items of about R96,841,144 (year-end provisions & municipal charges: service consumed). **Breakdown of Other Expenditures:**
  - ✓ Collection costs = R19,940,238
  - ✓ Cooperatives Initiative = R2,486,873
  - ✓ Settlement Fees & Legal Costs = R15,295,800
  - ✓ Transport Costs (Fuel & e-tags) = R15,350,153
  - ✓ mSCOA Implementation = R1,850,000
  - ✓ **Special Projects (Political Office) = R2,000,000**
  - ✓ **Special Projects (Other Depart) = R6,502,610**
    - Parks Management = R203,216
    - OR Tambo Games=R2,598,829
    - Libraries Funding by Province = R200 000
    - HIV/Aids programmes=R3,094,820
    - Social Upliftment = R117,188
    - Heritage programmes=R261,956
    - Employees Wellness Campaigns= R26,600
  - ✓ Other expenses = R83,745,329 (telephones & new service connections)

The cash flow constraints the municipality is currently experiencing is due to huge unpaid creditors carried forward and unsatisfactorily revenue collection rate, the only expenditure items that have been visibly increased is the bulk purchases for both water and electricity.

**The following graph gives a breakdown of the main expenditure categories for the 2017/18 financial year.**




| | 13/14 AUD | 14/15 AUD | 15/16 AUD | CY 16/17 BUD | CY 16/17 ADJ | CY 16/17 FCST | CY 16/17 ACT | Budget Year 17/18 | Budget Year + 1 18/19 | Budget Year + 2 19/20 |
|---|---|---|---|---|---|---|---|---|---|---|
| Other materials | 69 372 | 66 562 | 77 459 | 107 087 | 84 761 | 84 761 | 84 761 | 88 056 | 93 047 | 98 530 |
| Depreciation & asset impairment | 269 485 | 229 604 | 259 561 | 298 154 | 247 000 | 247 000 | 247 000 | 113 830 | 100 718 | 95 475 |
| Other expenditure | 210 321 | 236 801 | 292 755 | 321 165 | 222 961 | 222 961 | 222 961 | 258 512 | 250 053 | 254 846 |
| Bulk purchases | 657 955 | 699 766 | 807 589 | 922 981 | 930 561 | 930 561 | 930 561 | 945 596 | 986 394 | 1045 578 |
| Employee related costs | 485 526 | 536 545 | 579 792 | 655 743 | 652 198 | 652 198 | 652 198 | 710 663 | 750 825 | 798 878 |

**Figure 7 Expenditure by major type for the 2017/2018 financial year**

### 1.6.1 Priority given to repairs and maintenance

Aligned to the priority being given to preserving and maintaining the City's current infrastructure, the 2017/18 budget and MTREF provide about 35.6 per cent growth in the area of asset maintenance, as informed by the availability of resources and asset renewal strategy. In terms of the Municipal Budget and Reporting Regulations, operational repairs and maintenance is not considered a direct expenditure driver but an outcome of certain other expenditures, such as remuneration, purchases of materials and contracted services. Considering these cost drivers, **the following table is a consolidation of all the expenditures associated with repairs and maintenance:**

**Table 11 Operational repairs and maintenance**

| Description | Ref | 2013/14 | 2014/15 | 2015/16 | Current Year 2016/17 | | | | 2017/18 Medium Term Revenue & Expenditure Framework | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Pre-audit outcome | Budget Year 2017/18 | Budget Year +1 2018/19 | Budget Year +2 2019/20 |
| R thousand | | | | | | | | | | | |
| Employee related costs | | | – | 14 904 | 15 856 | 15 856 | 15 856 | 15 856 | 35 783 | 38 073 | 40 510 |
| Other materials | | 47 210 | 60 871 | – | 98 995 | 79 092 | 63 236 | 78 210 | 82 596 | 87 304 | 92 193 |
| Contracted Services | | 22 765 | 5 691 | 77 459 | 8 092 | 5 669 | 5 669 | 5 669 | 5 461 | 5 743 | 6 337 |
| Other Expenditure | | – | – | – | – | – | – | – | – | – | – |
| Total Repairs and Maintenance Expenditure | 9 | 69 975 | 66 562 | 92 363 | 122 942 | 100 617 | 84 761 | 99 734 | 123 839 | 131 120 | 139 040 |

During the compilation of the 2017/2018 MTREF operational repairs and maintenance was identified as a strategic imperative owing to the aging of the City's infrastructure and historic deferred maintenance. The actual performance on repairs & maintenance during 2014/2015 financial year indicated an increase of 39 per cent when compared to audited outcome of 2015/16 financial year (R92 363 221). There is an improvement when one looked at the 2016/17 Adjustment budget of about 8 per cent if we can spend the whole amount of R100 616 603.

This strategic imperative remains a priority as can be seen by the budget appropriations over the MTREF. The total allocation for 2017/18 equates to R88, 056,248 and remains constant at 6 per cent over the MTREF. In relation to the total operating expenditure budget as percentage, repairs and maintenance remains constant at 3.5 and 3.6 per cent for the respective financial years of the MTREF.

The table below provides a breakdown of the repairs and maintenance in relation to asset class:

**Table 12 Repairs and maintenance per asset class**

| Description | 2013/14 | 2014/15 | 2015/16 | Current Year 2016/17 | | | | 2017/18 Medium Term Revenue & Expenditure Framework | |
|---|---|---|---|---|---|---|---|---|---|
| R thousand | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Budget Year 2017/18 | Budget Year +1 2018/19 | Budget Year +2 2019/20 |
| **EXPENDITURE OTHER ITEMS** | | | | | | | | | |
| **Depreciation & asset impairment** | **242 282** | **269 169** | **229 559** | **298 154** | **298 154** | **298 154** | **155,056** | **100,718** | **95,475** |
| **Repairs and Maintenance by Asset Class** | **69 372** | **66 355** | **77 080** | **107 087** | **84 761** | **84 761** | **88,056** | **93,047** | **98,530** |
| *Infrastructure - Road transport* | 5 691 | 7 351 | 6 391 | 6 707 | 5 137 | 5 137 | 10,137 | 10,715 | 11,315 |
| *Infrastructure - Electricity* | 10 472 | 19 185 | 16 017 | 39 109 | 29 850 | 29 850 | 21,950 | 23,201 | 24,500 |
| *Infrastructure - Water* | 2 887 | 5 447 | - | 12 125 | 12 104 | 12 104 | 12,104 | 12,794 | 13,510 |
| *Infrastructure - Sanitation* | 9 482 | 9 202 | 15 424 | 16 993 | 13 466 | 13 466 | 13,466 | 14,234 | 15,031 |
| *Infrastructure - Other* | 6 039 | 2 998 | 5 380 | 6 414 | 4 758 | 4 758 | 4,759 | 5,030 | 5,312 |
| Infrastructure | *34 572* | *44 183* | *43 212* | *81 348* | *65 316* | *65 316* | *62,416* | *65,974* | *69,668* |
| Community | 6 189 | 6 806 | 6 361 | 9 460 | 3 821 | 3 821 | 4,130 | 4,365 | 4,610 |
| Other assets | 28 612 | 15 366 | 27 507 | 16 279 | 15 624 | 15 624 | 21,510 | 22,708 | 24,252 |
| **TOTAL EXPENDITURE OTHER ITEMS** | **311 654** | **335 524** | **306 639** | **405 241** | **382 915** | **382 915** | **243,112** | **193,765** | **194,005** |
| | | | | | | | | | |
| ***Renewal of Existing Assets as % of total capex*** | ***58,8%*** | ***36,1%*** | ***26,3%*** | ***27,1%*** | ***29,1%*** | ***29,1%*** | ***11,2%*** | ***9,7%*** | ***12,9%*** |
| ***Renewal of Existing Assets as % of deprecn"*** | ***54,2%*** | ***53,4%*** | ***53,7%*** | ***38,7%*** | ***26,9%*** | ***26,9%*** | ***23,0%*** | ***27,5%*** | ***40,8%*** |
| ***R&M as a % of PPE*** | ***1,3%*** | ***1,3%*** | ***1,4%*** | ***2,0%*** | ***1,6%*** | ***1,6%*** | ***1,6%*** | ***1,6%*** | ***1,7%*** |
| ***Renewal and R&M as a % of PPE*** | ***3,0%*** | ***4,0%*** | ***3,0%*** | ***4,0%*** | ***3,0%*** | ***3,0%*** | ***2,0%*** | ***2,0%*** | ***2,0%*** |

For the 2017/18 financial year 71 per cent or R62, 416 million of total repairs and maintenance will be spent on infrastructure assets. Electricity infrastructure has received a significant proportion of this allocation totalling 25 per cent (R21, 950 million), followed by sanitation at 15 per cent (R13, 466 million), water at 14 per cent (R12, 104 million), road infrastructure at 12 per cent (R10, 137 million) community assets at 5 per cent or R4, 130 million of total repairs and maintenance.

### 1.6.2 Free Basic Services: Basic Social Services Package

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the City's Indigent Management Policy. The target is to register 20 000 or more indigents households during the 2017/18 financial year, a process reviewed annually. Detail relating to free services, cost of free basis services, revenue lost owing to free basic services as well as basic service delivery measurement is contained in Table 24 MBRR A10 (Basic Service Delivery Measurement) on page 50.

The cost of the social package of the registered indigent households is largely financed by national government through the local government equitable share received in terms of the annual Division of Revenue Act.

## 1.7 Capital expenditure

The following table provides a breakdown of budgeted capital expenditure by vote:

**Table 13 2017/2018 Medium-term capital budget per standard classification**

| | Adjusted Budget | Percentage | 2017/18 Budget Year | Percentage | 2018/19 Budget Year | Percentage | 2019/20 Budget Year | Percentage |
|---|---|---|---|---|---|---|---|---|
| **Capital Expenditure - Standard** | | | | | | | | |
| Executive and council | 15 | 0% | - | 0% | - | 0% | - | 0% |
| Budget and treasury office | 2 000 | 1% | 2 000 | 1% | - | 0% | 0 | 0% |
| Corporate services | 7 598 | 3% | 3 500 | 1% | - | 0% | - | 0% |
| Community and social services | 20 141 | 7% | 24 460 | 8% | 20 524 | 7% | 27 827 | 9% |
| Sport and recreation | 13 225 | 5% | 9 499 | 3% | 14 025 | 5% | 14 527 | 5% |
| Public safety | - | 0% | - | 0% | - | 0% | 0 | 0% |
| Housing | - | 0% | 15 269 | 5% | 18 000 | 0% | 0 | 0% |
| Planning and development | 86 158 | 31% | 64 396 | 22% | 61 078 | 21% | 89 911 | 30% |
| Road transport | 43 197 | 16% | 18 152 | 6% | 36 018 | 13% | 38 255 | 13% |
| Environmental protection | 20 473 | 7% | - | 0% | - | 0% | 0 | 0% |
| Electricity | 17 479 | 6% | 32 900 | 11% | 7 000 | 2% | 33 020 | 11% |
| Water | 40 350 | 15% | 48 000 | 16% | 42 000 | 15% | 67 000 | 22% |
| Waste water management | 22 266 | 8% | 70 702 | 24% | 80 472 | 28% | 26 924 | 9% |
| Waste management | 2 606 | 1% | 5 000 | 2% | 5 001 | 2% | 5 316 | 2% |
| Other | - | 0% | - | 0% | - | 0% | 0 | 0% |
| **Total Capital Expenditure** | **275 508** | | **293 878** | | **284 119** | | **302 780** | |

The table above provides a breakdown of the capital budget to be spent per standard classification. Some of the important projects to be undertaken over the medium-term includes, amongst others:

- Inter City Development Programme – R20 000 000 funded by NDPG,
- Land Acquisition - R 20 000 000 funded by own generated funds
- Development of Munsieville industrial Park– R6 000 000 funded by own generated funds
- Coronation Park Development – R4 784 533 funded by MIG,
- West Haven Cemetery – R8 000 000 funded by MIG,
- Kagiso Thusong Service Centre Renovation R 2 971 504 funded by MIG,
- Sinqobile ECDC upgrade and extensions – R6 147 812 funded by MIG,
- Azaadville Sports Complex – R3 714 227 funded by MIG,
- PR6 Kagiso Ext 3 Roads & Storm water – R12 500 000 funded by MIG.
- PR15 Western Rural Areas Roads and Storm water – R5 151 996 funded by MIG,
- Water Demand Management Projects – R2 500 000 funded by own generated funds,
- Magaliesburg Water Care Works Phase 1 – R57 324 413 funded by MIG,
- Dr Sefularo & Dr Motlana Housing Development – R15 269 000 funded by HSDG.
- Installation of Enviro-loose toilets – R5 000 000 funded by own generated funds;
- New library books and resources- R5,700,000 funded by SRAC
- Bulk Water Pipeline & Installation of Communal water stand pipes – R30 000 000 funded by WSIG
- Refurbishment of electrical Network and installation of prepaid Meters at Kagiso Hostel – R1500 000 funded by DoE,
- Indigent Prepayment Installations – R3 000 000 funded by own generated funds;
- Rietvillei Ext 2&3 sport Complex – R1000 000 funded by own generated funds;
- Munsieville Smart Metering Conversion R3 000 000 funded by own generated funds;
- Spruit 1x20MVA transformer + substation upgrade R3 000 000 funded by own generated funds;
- Ga Mogale High Mast lights – R400 000 funded by own generated funds,
- New Streetlighting – K13 – R6 500 000 funded by own generated funds;
- New Randfontein Road Streetlights – R3 000 000 funded by own generated funds;
- Metering Support System – R7 000 000 funded by own generated funds;
- Luipaardsvlei Landfill Site Phase 4 – R5 000 000 funded by own generated funds;

**Furthermore pages 69 to 72 contain a detail breakdown of the capital budget per project over the medium-term.**

## 1.8 Annual Budget Tables

The following eighteen pages present the ten main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2017/2018 budget and MTREF as approved by the Council. Each table is accompanied by *explanatory notes* on the facing page.

### Table 14 MBRR Table A1 - Budget Summary

**GT481 Mogale City - Table A1 Budget Summary**

| Description | 2013/14 | 2014/15 | 2015/16 | Current Year 2016/17 | | | | 2017/18 Medium Term Revenue & Expenditure Framework | | |
|---|---|---|---|---|---|---|---|---|---|---|
| R thousands | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Pre-audit outcome | Budget Year 2017/18 | Budget Year +1 2018/19 | Budget Year +2 2019/20 |
| **Financial Performance** | | | | | | | | | | |
| Property rates | **308 723** | 394 495 | 463 341 | 449 640 | 422 224 | 422 224 | 422 224 | 505 638 | 534 459 | 564 389 |
| Service charges | 1 122 809 | 1 223 249 | 1 385 469 | 1 489 396 | 1 330 490 | 1 330 490 | 1 330 490 | 1 411 034 | 1 455 450 | 1 503 111 |
| Investment revenue | 12 624 | 22 291 | 17 036 | 2 040 | 1 552 | 1 552 | 1 552 | 5 957 | 6 296 | 6 649 |
| Transfers recognised - operational | 235 516 | 250 762 | 272 822 | 298 444 | 297 349 | 297 349 | 297 349 | 345 334 | 387 809 | 429 279 |
| Other own revenue | 327 081 | 269 061 | 306 367 | 151 174 | 269 533 | 269 533 | 269 533 | 352 206 | 319 960 | 337 882 |
| **Total Revenue (excluding capital transfers and contributions)** | 2 006 752 | 2 159 857 | 2 445 035 | 2 390 694 | 2 321 149 | 2 321 149 | 2 321 149 | 2 620 168 | 2 703 974 | 2 841 310 |
| Employee costs | 485 526 | 536 545 | 579 224 | 655 743 | 652 200 | 652 200 | 652 200 | 710 663 | 750 825 | 798 878 |
| Remuneration of councillors | 24 074 | 25 254 | 26 690 | 28 764 | 34 965 | 34 965 | 34 965 | 37 062 | 39 434 | 41 958 |
| Depreciation & asset impairment | 269 169 | 229 604 | 259 561 | 298 154 | 247 000 | 247 000 | 247 000 | 113 830 | 100 718 | 95 475 |
| Finance charges | 38 049 | 43 110 | 39 232 | 52 094 | 53 808 | 53 808 | 53 808 | 48 467 | 34 429 | 28 153 |
| Materials and bulk purchases | 727 328 | 766 328 | 884 669 | 1 030 068 | 1 015 321 | 1 015 321 | 1 015 321 | 1 033 652 | 1 079 441 | 1 144 107 |
| Transfers and grants | 25 462 | 43 097 | 97 379 | 59 621 | 52 244 | 52 244 | 52 244 | 56 072 | 54 174 | 57 353 |
| Other expenditure | 607 739 | 660 728 | 720 138 | 658 650 | 605 701 | 605 701 | 605 701 | 520 143 | 526 682 | 546 981 |
| **Total Expenditure** | 2 177 346 | 2 304 667 | 2 606 893 | 2 783 094 | 2 661 239 | 2 661 239 | 2 661 239 | 2 519 890 | 2 585 703 | 2 712 907 |
| **Surplus/(Deficit)** | (170 594) | (144 809) | (161 858) | (392 400) | (340 090) | (340 090) | (340 090) | 100 278 | 118 271 | 128 403 |
| Transfers recognised - capital | 105 109 | 99 243 | 151 918 | 255 952 | 149 532 | 149 532 | 149 532 | 193 600 | 222 119 | 232 780 |
| Contributions recognised - capital & contributed assets | – | – | – | – | – | – | – | – | – | – |
| **Surplus/(Deficit) after capital transfers & contributions** | (65 485) | (45 566) | (9 941) | (136 448) | (190 558) | (190 558) | (190 558) | 293 878 | 340 390 | 361 183 |
| Share of surplus/ (deficit) of associate | – | – | – | – | – | – | – | – | – | – |
| **Surplus/(Deficit) for the year** | (65 485) | (45 566) | (9 941) | (136 448) | (190 558) | (190 558) | (190 558) | 293 878 | 340 390 | 361 183 |
| **Capital expenditure & funds sources** | | | | | | | | | | |
| **Capital expenditure** | **223 553** | 398 868 | 467 886 | 424 969 | 275 508 | 275 508 | 275 508 | 293 878 | 284 119 | 302 780 |
| Transfers recognised - capital | **87 011** | 99 243 | 158 584 | 255 952 | 149 532 | 149 532 | 149 532 | 193 600 | 222 119 | 232 780 |
| Public contributions & donations | **–** | 1 500 | 64 989 | – | 45 658 | 45 658 | 45 658 | 20 000 | – | – |
| Borrowing | **23 221** | 174 075 | 63 047 | 2 880 | 2 880 | 2 880 | 2 880 | – | – | – |
| Internally generated funds | **113 321** | 124 050 | 181 266 | 166 137 | 77 438 | 77 438 | 77 438 | 80 278 | 62 000 | 70 000 |
| **Total sources of capital funds** | **223 553** | 398 868 | 467 886 | 424 969 | 275 508 | 275 508 | 275 508 | 293 878 | 284 119 | 302 780 |
| **Financial position** | | | | | | | | | | |
| Total current assets | **527 037** | 612 461 | 568 894 | 539 920 | 540 353 | 540 353 | 540 353 | 719 289 | 947 305 | 1 293 170 |
| Total non current assets | **5 788 340** | 5 978 534 | 6 176 230 | 6 088 574 | 5 939 113 | 5 939 113 | 5 939 113 | 6 133 424 | 6 232 770 | 6 440 074 |
| Total current liabilities | **634 049** | 714 043 | 880 149 | 541 358 | 541 358 | 541 358 | 541 358 | 856 436 | 866 276 | 923 024 |
| Total non current liabilities | **514 319** | 750 578 | 746 315 | 668 924 | 668 924 | 668 924 | 668 924 | 603 509 | 575 574 | 562 005 |
| Community wealth/Equity | **5 167 009** | 5 126 375 | 5 118 660 | 5 418 212 | 5 269 184 | 5 269 184 | 5 269 184 | 5 392 767 | 5 738 225 | 6 248 216 |
| **Cash flows** | | | | | | | | | | |
| Net cash from (used) operating | **207 386** | 251 293 | 372 633 | 273 622 | 243 084 | 243 084 | 243 084 | 501 131 | 547 093 | 567 068 |
| Net cash from (used) investing | **(323 911)** | (398 868) | (467 886) | (404 969) | (275 508) | (275 508) | (275 508) | (273 878) | (284 119) | (302 780) |
| Net cash from (used) financing | **162 914** | 216 768 | (3 352) | (33 814) | (33 814) | (33 814) | (33 814) | (106 223) | (28 949) | (27 084) |
| **Cash/cash equivalents at the year end** | **90 163** | 165 897 | 67 292 | 621 | 1 053 | 1 053 | 1 053 | 188 322 | 422 347 | 659 551 |
| **Cash backing/surplus reconciliation** | | | | | | | | | | |
| Cash and investments available | **150 639** | 227 504 | 137 585 | 70 414 | 70 846 | 70 846 | 70 846 | 301 942 | 422 347 | 659 551 |
| Application of cash and investments | **309 374** | 335 057 | 516 222 | 4 045 | 766 | 766 | 766 | 275 361 | 264 431 | 209 613 |
| **Balance - surplus (shortfall)** | **(158 734)** | (107 553) | (378 636) | 66 369 | 70 080 | 70 080 | 70 080 | 26 581 | 157 916 | 449 938 |
| **Asset management** | | | | | | | | | | |
| Asset register summary (WDV) | **5 732 853** | 5 915 481 | 6 103 485 | 6 018 781 | 5 869 320 | 5 869 320 | 6 049 369 | 6 049 369 | 6 232 770 | 6 440 074 |
| Depreciation & asset impairment | **269 169** | 229 604 | 259 561 | 298 154 | 247 000 | 247 000 | 113 830 | 113 830 | 100 718 | 95 475 |
| Renewal of Existing Assets | **131 394** | 143 807 | 123 271 | 115 284 | 80 304 | 80 304 | 80 304 | 33 055 | 27 667 | 39 001 |
| Repairs and Maintenance | **69 372** | 66 355 | 77 080 | 107 087 | 84 761 | 84 761 | 88 056 | 88 056 | 93 047 | 98 530 |
| **Free services** | | | | | | | | | | |
| Cost of Free Basic Services provided | **–** | – | – | – | – | – | – | – | – | – |
| Revenue cost of free services provided | **179 639** | 209 196 | 485 | 371 148 | 349 995 | 349 995 | 350 045 | 350 045 | 257 801 | 272 461 |
| **Households below minimum service level** | | | | | | | | | | |
| Water: | 5 | 8 | 10 | 8 | 8 | 8 | 8 | 8 | 7 | 8 |
| Sanitation/sewerage: | 1 | 7 | 6 | 5 | 5 | 5 | 5 | 5 | 4 | 5 |
| Energy: | 6 | 6 | 6 | 11 | 11 | 11 | 10 | 10 | 9 | 9 |
| Refuse: | – | 24 | 24 | 22 | 22 | 22 | 21 | 21 | 20 | 21 |

**Explanatory notes to MBRR Table A1 - Budget Summary**

1. Table A1 is a budget summary and provides a concise overview of the City's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).

2. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.

3. Financial management reforms emphasises the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:

    a. Capital expenditure is balanced by capital funding sources, of which
        i. Transfers recognised is reflected on the Financial Performance Budget;
        ii. Borrowing is incorporated in the net cash from financing on the Cash Flow Budget if borrowing is used to fund capital projects.

4. The Cash backing/surplus reconciliation shows that in previous financial years the municipality was not paying much attention to managing this aspect of its finances, and consequently many of its obligations are not cash-backed. These places the municipality in a very vulnerable financial position, as the recent slow-down in revenue collections highlighted. .

5. Even though the Council is placing great emphasis on securing the financial sustainability of the municipality, this is not being done at the expense of services to the poor. The section of Free Services shows that the amount spent on Free Basic Services and the revenue cost of free services provided by the municipality continues to increase.

## Table 15 MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

GT481 Mogale City - Table A2 Budgeted Financial Performance (revenue and expenditure by standard classification)

| Standard Classification Description | 2013/14 | 2014/15 | 2015/16 | Current Year 2016/17 | | | 2017/18 Medium Term Revenue & Expenditure Framework | | |
|---|---|---|---|---|---|---|---|---|---|
| R thousand | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Budget Year 2017/18 | Budget Year +1 2018/19 | Budget Year +2 2019/20 |
| **Revenue - Standard** | | | | | | | | | |
| ***Governance and administration*** | **470 045** | **568 780** | **575 526** | **567 523** | **573 178** | **573 178** | **733 070** | **755 192** | **808 008** |
| Executive and council | 3 149 | 3 347 | 4 314 | 4 876 | 2 032 | 2 032 | 5 961 | 6 315 | 6 688 |
| Budget and treasury office | 453 113 | 556 462 | 564 799 | 556 523 | 540 494 | 540 494 | 673 406 | 713 253 | 763 698 |
| Corporate services | 13 783 | 8 971 | 6 413 | 6 124 | 30 651 | 30 651 | 53 703 | 35 624 | 37 622 |
| ***Community and public safety*** | **269 610** | **214 157** | **249 347** | **276 244** | **227 620** | **227 620** | **237 905** | **247 513** | **248 309** |
| Community and social services | 79 298 | 89 139 | 99 789 | 120 050 | 150 777 | 150 777 | 167 798 | 178 281 | 194 491 |
| Sport and recreation | 19 659 | 16 429 | 11 737 | 18 600 | 29 353 | 29 353 | 11 436 | 15 398 | 15 977 |
| Public safety | 170 593 | 108 536 | 137 770 | 30 789 | 27 447 | 27 447 | 43 359 | 35 789 | 37 793 |
| Housing | 60 | 54 | 52 | 106 805 | 20 043 | 20 043 | 15 312 | 18 046 | 48 |
| Health | – | – | 0 | – | – | – | – | – | – |
| ***Economic and environmental services*** | **77 668** | **72 402** | **177 793** | **101 261** | **138 304** | **138 304** | **173 525** | **203 106** | **212 460** |
| Planning and development | 16 095 | 17 780 | 120 952 | 50 562 | 79 210 | 79 210 | 122 001 | 133 017 | 138 226 |
| Road transport | 60 811 | 54 483 | 56 841 | 50 699 | 59 094 | 59 094 | 51 524 | 70 088 | 74 233 |
| Environmental protection | 762 | 138 | – | – | – | – | – | – | – |
| ***Trading services*** | **1 294 539** | **1 403 749** | **1 594 286** | **1 701 618** | **1 531 579** | **1 531 579** | **1 669 268** | **1 709 843** | **1 794 224** |
| Electricity | 762 198 | 821 993 | 881 420 | 963 076 | 898 061 | 898 061 | 943 754 | 953 339 | 973 878 |
| Water | 223 631 | 238 942 | 341 767 | 317 995 | 276 547 | 276 547 | 287 751 | 317 403 | 351 326 |
| Waste water management | 144 789 | 175 874 | 189 002 | 228 054 | 187 555 | 187 555 | 248 192 | 226 915 | 240 285 |
| Waste management | 163 921 | 166 940 | 182 097 | 192 494 | 169 416 | 169 416 | 189 572 | 212 186 | 228 734 |
| ***Other*** | **–** | **12** | **–** | **–** | **–** | **–** | **–** | **10 440** | **11 089** |
| **Total Revenue - Standard** | **2 111 861** | **2 259 100** | **2 596 952** | **2 646 646** | **2 470 681** | **2 470 681** | **2 813 768** | **2 926 093** | **3 074 090** |
| | | | | | | | | | |
| **Expenditure - Standard** | | | | | | | | | |
| ***Governance and administration*** | **513 446** | **606 639** | **656 178** | **678 096** | **641 281** | **641 281** | **662 255** | **667 552** | **690 582** |
| Executive and council | 79 969 | 85 736 | 99 224 | 117 090 | 94 146 | 94 146 | 113 646 | 112 266 | 111 907 |
| Budget and treasury office | 240 871 | 323 954 | 332 333 | 295 028 | 295 275 | 295 275 | 296 787 | 296 113 | 305 297 |
| Corporate services | 192 607 | 196 948 | 224 621 | 265 978 | 251 859 | 251 859 | 251 822 | 259 173 | 273 378 |
| ***Community and public safety*** | **387 582** | **367 600** | **427 048** | **391 379** | **411 795** | **411 795** | **310 366** | **318 598** | **336 898** |
| Community and social services | 42 474 | 43 254 | 49 037 | 74 635 | 60 917 | 60 917 | 63 848 | 62 854 | 66 501 |
| Sport and recreation | 83 341 | 100 015 | 104 554 | 105 985 | 93 930 | 93 930 | 95 977 | 96 145 | 101 059 |
| Public safety | 253 375 | 215 846 | 259 825 | 198 499 | 247 287 | 247 287 | 144 511 | 153 192 | 162 526 |
| Housing | 8 094 | 8 254 | 13 352 | 11 971 | 9 415 | 9 415 | 5 788 | 6 151 | 6 542 |
| Health | 298 | 230 | 280 | 288 | 246 | 246 | 242 | 256 | 271 |
| ***Economic and environmental services*** | **178 048** | **176 717** | **173 222** | **238 110** | **201 280** | **201 280** | **140 715** | **162 495** | **167 372** |
| Planning and development | 26 794 | 33 109 | 59 106 | 40 162 | 36 370 | 36 370 | 41 370 | 43 952 | 46 714 |
| Road transport | 149 017 | 142 578 | 112 132 | 195 651 | 165 271 | 165 271 | 97 277 | 116 438 | 118 344 |
| Environmental protection | 2 237 | 1 030 | 1 984 | 2 296 | (361) | (361) | 2 068 | 2 104 | 2 314 |
| ***Trading services*** | **1 097 463** | **1 151 817** | **1 348 821** | **1 471 921** | **1 403 338** | **1 403 338** | **1 402 253** | **1 432 486** | **1 513 196** |
| Electricity | 624 849 | 627 631 | 704 873 | 835 287 | 830 369 | 830 369 | 836 756 | 863 720 | 914 219 |
| Water | 268 775 | 293 647 | 394 383 | 361 221 | 351 910 | 351 910 | 346 847 | 360 672 | 381 060 |
| Waste water management | 79 201 | 87 508 | 99 725 | 124 025 | 113 866 | 113 866 | 112 454 | 114 299 | 120 070 |
| Waste management | 124 638 | 143 031 | 149 841 | 151 388 | 107 193 | 107 193 | 106 195 | 93 794 | 97 846 |
| ***Other*** | **807** | **1 894** | **1 623** | **3 588** | **3 546** | **3 546** | **4 302** | **4 572** | **4 859** |
| **Total Expenditure - Standard** | **2 177 346** | **2 304 667** | **2 606 893** | **2 783 094** | **2 661 239** | **2 661 239** | **2 519 890** | **2 585 703** | **2 712 907** |
| **Surplus/(Deficit) for the year** | **(65 485)** | **(45 566)** | **(9 941)** | **(136 448)** | **(190 558)** | **(190 558)** | **293 878** | **340 390** | **361 183** |

**Explanatory notes to MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)**

1. Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 15 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms of each of these functional areas which enables the National Treasury to compile 'whole of government' reports.

2. Note the total revenue on this table includes capital revenues (transfers recognised – capital) and therefore does not balance to the operating revenue shown on Table A4.

3. Note that as a general principle the revenues for the Trading Services should exceed their expenditures.

## Table 16 MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

**GT481 Mogale City - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)**

| Vote Description | 2013/14 | 2014/15 | 2015/16 | Current Year 2016/17 | | | 2017/18 Medium Term Revenue & Expenditure Framework | | |
|---|---|---|---|---|---|---|---|---|---|
| R thousand | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Budget Year 2017/18 | Budget Year +1 2018/19 | Budget Year +2 2019/20 |
| **Revenue by Vote** | | | | | | | | | |
| Vote 1 - POLITICAL OFFICE | 953 | 641 | 2 275 | – | 2 031 | 2 031 | – | – | – |
| Vote 2 - MUNICIPAL MANAGERS OFFICE | – | 909 | 4 | – | – | – | – | – | – |
| Vote 3 - CHIEF OPERATING OFFICER | 2 196 | 1 797 | 2 035 | 4 876 | – | – | 5 961 | 6 315 | 6 688 |
| Vote 4 - CORPORATE SUPPORT SERVICES | 13 715 | 8 989 | 6 461 | 6 177 | 30 687 | 30 687 | 33 738 | 35 661 | 37 662 |
| Vote 5 - MUNICIPAL FINANCIAL SERVICES | 452 905 | 556 462 | 564 799 | 556 523 | 540 494 | 540 494 | 643 406 | 683 253 | 723 698 |
| Vote 6 - INTEGRATED ENVIRONMENTAL MANAGEMENT | 176 423 | 184 553 | 194 536 | 214 315 | 217 457 | 217 457 | 234 286 | 254 206 | 273 176 |
| Vote 7 - SOCIAL SERVICES | 279 199 | 218 960 | 261 203 | 170 049 | 186 946 | 186 946 | 205 728 | 216 885 | 234 905 |
| Vote 8 - ECONOMIC SERVICES | 16 201 | 17 874 | 121 058 | 157 422 | 99 346 | 99 346 | 157 409 | 174 994 | 163 611 |
| Vote 9 - INFRASTRUCTURE SERVICES | 1 170 269 | 1 268 915 | 1 444 581 | 1 537 285 | 1 393 720 | 1 393 720 | 1 533 240 | 1 554 779 | 1 634 350 |
| **Total Revenue by Vote** | **2 111 861** | **2 259 100** | **2 596 952** | **2 646 646** | **2 470 681** | **2 470 681** | **2 813 768** | **2 926 093** | **3 074 090** |
| | | | | | | | | | |
| **Expenditure by Vote** ***to be appropriated*** | | | | | | | | | |
| Vote 1 - POLITICAL OFFICE | 58 491 | 61 989 | 69 988 | 66 977 | 68 410 | 68 410 | 70 137 | 74 469 | 79 165 |
| Vote 2 - MUNICIPAL MANAGERS OFFICE | 13 389 | 14 843 | 19 454 | 40 185 | 17 420 | 17 420 | 33 404 | 20 793 | 21 364 |
| Vote 3 - CHIEF OPERATING OFFICER | 11 566 | 18 952 | 20 160 | 19 478 | 18 424 | 18 424 | 20 483 | 21 702 | 23 028 |
| Vote 4 - CORPORATE SUPPORT SERVICES | 122 622 | 144 058 | 154 037 | 202 090 | 158 312 | 158 312 | 160 458 | 172 773 | 175 958 |
| Vote 5 - MUNICIPAL FINANCIAL SERVICES | 240 870 | 323 954 | 332 333 | 295 028 | 295 275 | 295 275 | 302 287 | 301 926 | 311 436 |
| Vote 6 - INTEGRATED ENVIRONMENTAL MANAGEMENT | 178 974 | 198 693 | 207 951 | 220 904 | 164 668 | 164 668 | 167 918 | 157 850 | 165 183 |
| Vote 7 - SOCIAL SERVICES | 353 971 | 322 743 | 379 564 | 339 070 | 370 446 | 370 446 | 268 762 | 279 011 | 295 606 |
| Vote 8 - ECONOMIC SERVICES | 35 664 | 42 899 | 72 196 | 56 250 | 49 379 | 49 379 | 55 548 | 53 783 | 57 152 |
| Vote 9 - INFRASTRUCTURE SERVICES | 1 161 799 | 1 176 536 | 1 351 210 | 1 543 112 | 1 518 907 | 1 518 907 | 1 440 894 | 1 503 395 | 1 584 014 |
| **Total Expenditure by Vote** | **2 177 346** | **2 304 667** | **2 606 893** | **2 783 094** | **2 661 239** | **2 661 239** | **2 519 890** | **2 585 703** | **2 712 907** |
| **Surplus/(Deficit) for the year** | **(65 485)** | **(45 566)** | **(9 941)** | **(136 448)** | **(190 558)** | **(190 558)** | **293 878** | **340 390** | **361 183** |

**Explanatory notes to MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)**

1. Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organisational structure of Mogale City. This means it is possible to present the operating surplus or deficit of a vote.

2. The following table is an analysis of the surplus or deficit for the electricity and water trading services.

**Table 17 Surplus/ (Deficit) calculations for the trading services**

| Standard Classification Description | 2013/14 | 2014/15 | 2015/16 | Current Year 2016/17 | | | 2017/18 Medium Term Revenue & Expenditure Framework | | |
|---|---|---|---|---|---|---|---|---|---|
| R thousand | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Budget Year 2017/18 | Budget Year +1 2018/19 | Budget Year +2 2019/20 |
| **Electricity:** | | | | | | | | | |
| Total Revenue (incl capital grants and transfers | 762 198 | 821 993 | 881 420 | 963 076 | 898 061 | 898 061 | 943 754 | 953 339 | 973 878 |
| Operating Expenditure | 624 849 | 627 631 | 704 873 | 835 287 | 830 369 | 830 369 | 836 756 | 863 720 | 914 219 |
| **Surplus/(Deficit) for the year** | **137 348** | **194 362** | **176 547** | **127 788** | **67 693** | **67 693** | **106 998** | **89 618** | **59 659** |
| **Percentage Surplus** | **18%** | **24%** | **20%** | **13%** | **8%** | **8%** | **11%** | **9%** | **6%** |
| **Water:** | | | | | | | | | |
| Total Revenue(including capital grants & transfers) | 223 631 | 238 942 | 341 767 | 317 995 | 276 547 | 276 547 | 317 403 | 351 326 | 351 326 |
| Operating Expenditure | 268 775 | 293 647 | 394 383 | 361 221 | 351 910 | 351 910 | 346 847 | 360 672 | 381 060 |
| **Surplus/(deficit) for the year** | **-45 144** | **-54 706** | **-52 616** | **-43 227** | **-75 363** | **-75 363** | **-29 444** | **-9 346** | **-29 734** |
| **Percentage Surplus** | **-20%** | **-23%** | **-15%** | **-14%** | **-27%** | **-27%** | **-9%** | **-3%** | **-8%** |

3. The electricity trading surplus is increasing over the 2017/18 MTREF from 8 per cent or R67 693 million in 2016/17 financial year to 11 per cent during 2017/18. This is primarily as a result of the high increases in Eskom bulk purchases. The surplus is decreasing over seven years from 18 per cent during 2013/14 to 11 per cent in 2017/18.

4. Water has experienced a deficit from 2013/14 of about 20 per cent and increases to 21 per cent during 2017/18. The deficit is decreasing drastically, the Water Demand Management Strategy is starting to yield positive results.

**4.** Note that the surpluses on electricity is utilised as an internal funding source for the capital programme for asset renewal, refurbishment and the development of new asset infrastructure.

## Table 18 MBRR Table A4 - Budgeted Financial Performance (revenue and expenditure)

**GT481 Mogale City - Table A4 Budgeted Financial Performance (revenue and expenditure)**

| Description | 2013/14 | 2014/15 | 2015/16 | Current Year 2016/17 | | | | 2017/18 Medium Term Revenue & Expenditure Framework | | |
|---|---|---|---|---|---|---|---|---|---|---|
| R thousand | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Pre-audit outcome | Budget Year 2017/18 | Budget Year +1 2018/19 | Budget Year +2 2019/20 |
| **Revenue By Source** | | | | | | | | | | |
| Property rates | 308 723 | 394 495 | 463 341 | 449 640 | 422 224 | 422 224 | 422 224 | 505 638 | 534 459 | 564 389 |
| Property rates - penalties & collection charges | – | – | – | – | – | – | – | | | |
| Service charges - electricity revenue | 723 268 | 775 093 | 834 569 | 902 338 | 845 771 | 845 771 | 845 771 | 878 587 | 881 311 | 884 043 |
| Service charges - water revenue | 193 741 | 216 571 | 302 196 | 291 001 | 224 651 | 224 651 | 224 651 | 252 058 | 277 768 | 306 101 |
| Service charges - sanitation revenue | 105 155 | 127 544 | 136 170 | 153 205 | 126 627 | 126 627 | 126 627 | 136 758 | 144 553 | 152 648 |
| Service charges - refuse revenue | 100 636 | 104 034 | 112 534 | 118 524 | 103 148 | 103 148 | 103 148 | 111 400 | 117 750 | 124 344 |
| Service charges - other | 9 | 7 | – | 24 329 | 30 292 | 30 292 | 30 292 | 32 231 | 34 068 | 35 976 |
| Rental of facilities and equipment | 2 969 | 3 366 | 3 316 | 3 446 | 3 496 | 3 496 | 3 496 | 3 497 | 3 697 | 3 907 |
| Interest earned - external investments | 12 624 | 22 291 | 17 036 | 2 040 | 1 552 | 1 552 | 1 552 | 5 957 | 6 296 | 6 649 |
| Interest earned - outstanding debtors | 14 518 | 17 286 | 15 347 | 41 507 | 28 411 | 28 411 | 28 411 | 34 436 | 36 399 | 38 437 |
| Dividends received | – | – | – | – | – | – | – | – | – | – |
| Fines | 170 003 | 107 415 | 135 658 | 30 000 | 20 399 | 20 399 | 20 399 | 35 529 | 27 512 | 29 053 |
| Licences and permits | 28 | 19 | 28 | 29 | 21 | 21 | 21 | 23 | 25 | 26 |
| Agency services | 21 408 | 22 184 | 24 961 | 22 184 | 25 772 | 25 772 | 25 772 | 26 041 | 27 525 | 29 066 |
| Transfers recognised - operational | 235 516 | 250 762 | 272 822 | 298 444 | 297 349 | 297 349 | 297 349 | 345 334 | 387 809 | 429 279 |
| Other revenue | 111 844 | 118 790 | 127 057 | 34 008 | 191 433 | 191 433 | 191 433 | 232 680 | 224 803 | 237 392 |
| Gains on disposal of PPE | 6 311 | – | – | 20 000 | – | – | – | 20 000 | – | – |
| **Total Revenue (excluding capital transfers and contributions)** | **2 006 752** | **2 159 857** | **2 445 035** | **2 390 694** | **2 321 149** | **2 321 149** | **2 321 149** | **2 620 168** | **2 703 974** | **2 841 310** |
| | | | | | | | | | | |
| **Expenditure By Type** | | | | | | | | | | |
| Employee related costs | 485 526 | 536 545 | 579 224 | 655 743 | 652 200 | 652 200 | 652 200 | 710 663 | 750 825 | 798 878 |
| Remuneration of councillors | 24 074 | 25 254 | 26 690 | 28 764 | 34 965 | 34 965 | 34 965 | 37 062 | 39 434 | 41 958 |
| Debt impairment | 221 290 | 228 042 | 186 321 | 96 500 | 161 540 | 161 540 | 161 540 | 92 474 | 98 023 | 103 904 |
| Depreciation & asset impairment | 269 169 | 229 604 | 259 561 | 298 154 | 247 000 | 247 000 | 247 000 | 113 830 | 100 718 | 95 475 |
| Finance charges | 38 049 | 43 110 | 39 232 | 52 094 | 53 808 | 53 808 | 53 808 | 48 467 | 34 429 | 28 153 |
| Bulk purchases | 657 955 | 699 766 | 807 589 | 922 981 | 930 561 | 930 561 | 930 561 | 945 596 | 986 394 | 1 045 578 |
| Other materials | 69 372 | 66 562 | 77 080 | 107 087 | 84 761 | 84 761 | 84 761 | 88 056 | 93 047 | 98 530 |
| Contracted services | 175 811 | 195 885 | 243 139 | 243 035 | 216 589 | 216 589 | 216 589 | 169 907 | 178 246 | 187 317 |
| Transfers and grants | 25 462 | 43 097 | 97 379 | 59 621 | 52 244 | 52 244 | 52 244 | 56 072 | 54 174 | 57 353 |
| Other expenditure | 210 637 | 236 801 | 290 678 | 319 115 | 227 571 | 227 571 | 227 571 | 257 762 | 250 413 | 255 760 |
| Loss on disposal of PPE | | | | | | | | | | |
| **Total Expenditure** | **2 177 346** | **2 304 667** | **2 606 893** | **2 783 094** | **2 661 239** | **2 661 239** | **2 661 239** | **2 519 890** | **2 585 703** | **2 712 907** |
| | | | | | | | | | | |
| **Surplus/(Deficit)** | **(170 594)** | **(144 809)** | **(161 858)** | **(392 400)** | **(340 090)** | **(340 090)** | **(340 090)** | **100 278** | **118 271** | **128 403** |
| Transfers recognised - capital | 105 109 | 99 243 | 151 918 | 255 952 | 149 532 | 149 532 | 149 532 | 193 600 | 222 119 | 232 780 |
| Contributions recognised - capital | – | – | – | – | – | – | – | – | – | – |
| Contributed assets | | | | | | | | | | |
| **Surplus/(Deficit) after capital transfers & contributions** | **(65 485)** | **(45 566)** | **(9 941)** | **(136 448)** | **(190 558)** | **(190 558)** | **(190 558)** | **293 878** | **340 390** | **361 183** |
| Taxation | | | | | | | | | | |
| **Surplus/(Deficit) after taxation** | **(65 485)** | **(45 566)** | **(9 941)** | **(136 448)** | **(190 558)** | **(190 558)** | **(190 558)** | **293 878** | **340 390** | **361 183** |
| Attributable to minorities | | | | | | | | | | |
| **Surplus/(Deficit) attributable to municipality** | **(65 485)** | **(45 566)** | **(9 941)** | **(136 448)** | **(190 558)** | **(190 558)** | **(190 558)** | **293 878** | **340 390** | **361 183** |
| Share of surplus/ (deficit) of associate | | | | | | | | | | |
| **Surplus/(Deficit) for the year** | **(65 485)** | **(45 566)** | **(9 941)** | **(136 448)** | **(190 558)** | **(190 558)** | **(190 558)** | **293 878** | **340 390** | **361 183** |

**Explanatory notes to Table A4 - Budgeted Financial Performance (revenue and expenditure)**

1. Total revenue excluding capital transfers is R2.6 billion in 2017/18 and escalates to R2.7 billion by 2018/19. This represents a year-on-year increase of 5.08 per cent for the 2018/19 and 2019/20 financial years respectively.

2. Revenue to be generated from property rates is R505 637 million or increase of 19.76 per cent during 2017/18 financial year and increases to R564 388 million by 2019/20 which represents 19.86 per cent of the operating revenue base of the City and therefore remains a significant funding source for the municipality.

3. Services charges relating to electricity, water, sanitation and refuse removal constitutes the biggest component of the revenue basket of the City totalling R1.4 billion for the 2017/18 financial year and increasing to R1. 5 billion by 2019/20. For the 2016/17 financial year services charges amount to 54 per cent of the total revenue base and grows by 3 & 4 per cent per annum respectively over the medium-term. This growth can mainly be attributed to the high increase in the bulk prices of electricity and water over a number of years.

4. Transfers recognised – operating includes the local government equitable share and other operating grants from national and provincial government. It needs to be noted that in real terms the grants receipts from national government increase by 12 & 11 per cent respectively over the MTREF**.**

5. **The following graph illustrates the major expenditure items per type.**

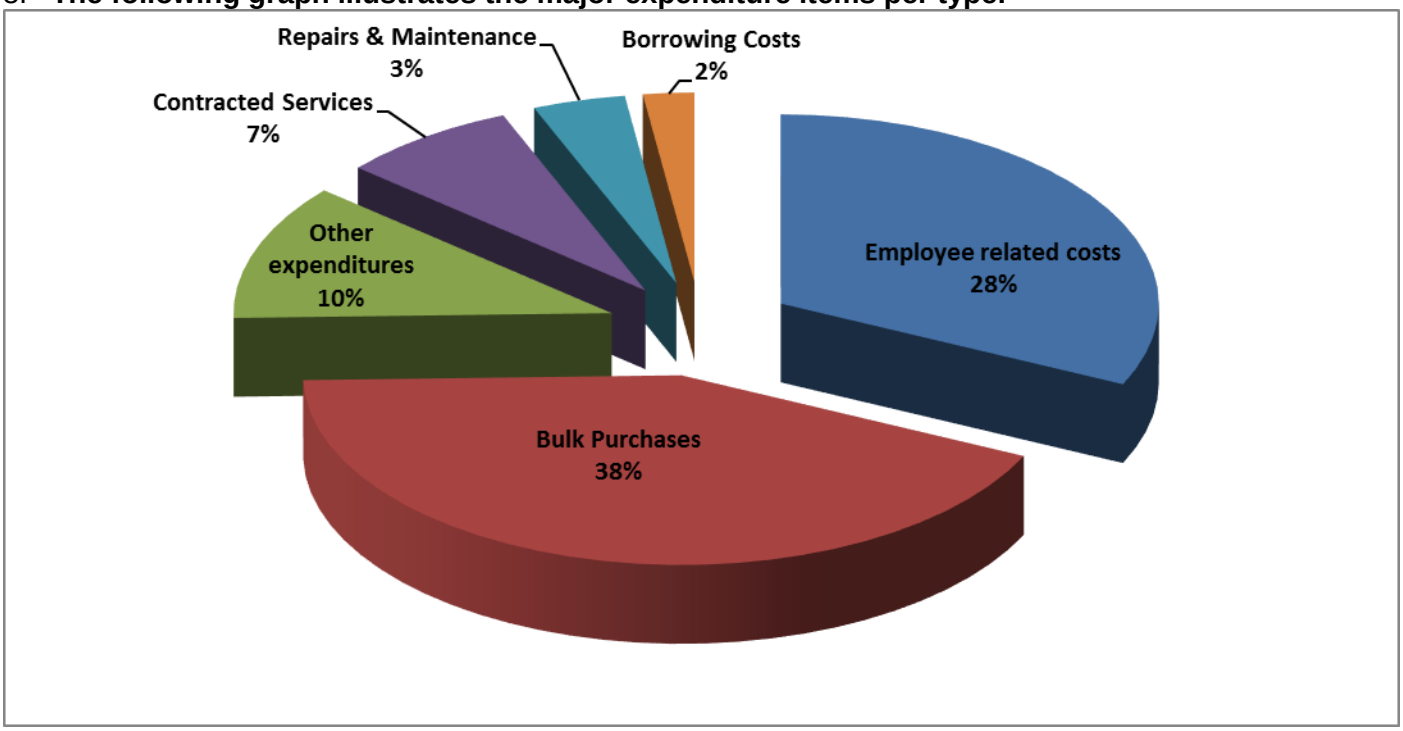
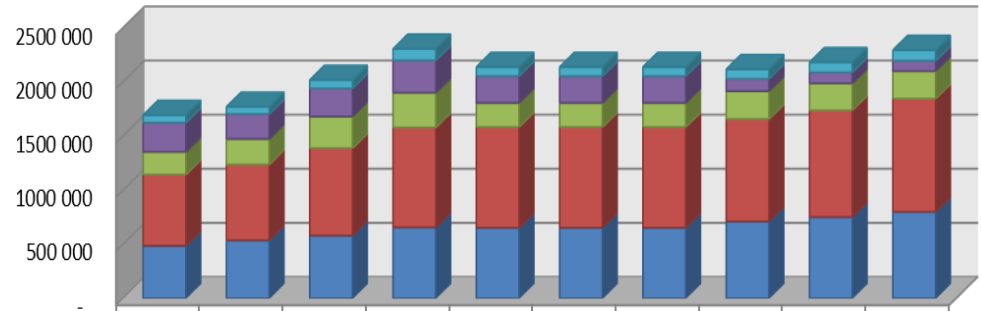



**Figure 8 Expenditure by major type**

6. Bulk purchases have significantly increased from 2015/16 to 2017/18 period escalating from R807 589 million to R945 596 million an **increase of 17 per cent** by Eskom and Rand Water over seven years.

7. Employee related costs, bulk purchases, other expenditures and contracted services are the main cost drivers that contribute about 87 per cent of total operating budget within the municipality and **alternative operational gains and efficiencies have been identified to lessen the impact of wage and bulk tariff increases in future years.**

8. **The following graph illustrates the major expenditure items per type (over seven years).**




| | 13/14 AUD | 14/15 AUD | 15/16 AUD | CY 16/17 BUD | CY 16/17 ADJ | CY 16/17 FCST | CY 16/17 ACT | Budget Year 17/18 | Budget Year + 1 18/19 | Budget Year + 2 19/20 |
|---|---|---|---|---|---|---|---|---|---|---|
| Other materials | 69 372 | 66 562 | 77 459 | 107 087 | 84 761 | 84 761 | 84 761 | 88 056 | 93 047 | 98 530 |
| Depreciation & asset impairment | 269 485 | 229 604 | 259 561 | 298 154 | 247 000 | 247 000 | 247 000 | 113 830 | 100 718 | 95 475 |
| Other expenditure | 210 321 | 236 801 | 292 755 | 321 165 | 222 961 | 222 961 | 222 961 | 258 512 | 250 053 | 254 846 |
| Bulk purchases | 657 955 | 699 766 | 807 589 | 922 981 | 930 561 | 930 561 | 930 561 | 945 596 | 986 394 | 1045 578 |
| Employee related costs | 485 526 | 536 545 | 579 792 | 655 743 | 652 198 | 652 198 | 652 198 | 710 663 | 750 825 | 798 878 |

**Figure 9 Expenditure by major type (over seven years)**

## Table 19 MBRR Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

**GT481 Mogale City - Table A5 Budgeted Capital Expenditure by vote, standard classification and funding**

| Vote Description | Ref | 2013/14 | 2014/15 | 2015/16 | Current Year 2016/17 | | | | 2017/18 Medium Term Revenue & Expenditure Framework | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| R thousand | 1 | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Pre-audit outcome | Budget Year 2017/18 | Budget Year +1 2018/19 | Budget Year +2 2019/20 |
| **Capital expenditure - Vote** | | | | | | | | | | | |
| **Multi-year expenditure** ***to be appropriated*** | 2 | | | | | | | | | | |
| Vote 1 - POLITICAL OFFICE | | – | – | – | – | – | – | – | – | – | – |
| Vote 2 - MUNICIPAL MANAGERS OFFICE | | – | – | – | – | – | – | – | – | – | – |
| Vote 3 - CHIEF OPERATING OFFICER | | 124 | 5 | 30 | 1 876 | – | – | – | 3 296 | 3 639 | 3 822 |
| Vote 4 - CORPORATE SUPPORT SERVICES | | – | – | – | – | – | – | – | – | – | – |
| Vote 5 - MUNICIPAL FINANCIAL SERVICES | | – | – | – | – | – | – | – | – | – | – |
| Vote 6 - INTEGRATED ENVIRONMENTAL MANAGE | | 17 169 | 34 561 | 24 692 | 18 699 | 18 163 | 18 163 | 18 163 | 17 785 | 15 004 | 15 947 |
| Vote 7 - SOCIAL SERVICES | | 24 863 | 10 379 | 7 184 | 12 300 | 22 078 | 22 078 | 22 078 | 8 814 | 19 545 | 20 427 |
| Vote 8 - ECONOMIC SERVICES | | 10 011 | 12 553 | 91 387 | 46 910 | 13 662 | 13 662 | 13 662 | 36 269 | 75 440 | 86 089 |
| Vote 9 - INFRASTRUCTURE SERVICES | | 138 444 | 216 357 | 218 025 | 78 854 | 80 798 | 80 798 | 80 798 | 125 976 | 165 490 | 145 179 |
| Vote 10 - [NAME OF VOTE 10] | | – | – | – | – | – | – | – | – | – | – |
| Vote 11 - [NAME OF VOTE 11] | | – | – | – | – | – | – | – | – | – | – |
| Vote 12 - [NAME OF VOTE 12] | | – | – | – | – | – | – | – | – | – | – |
| Vote 13 - [NAME OF VOTE 13] | | – | – | – | – | – | – | – | – | – | – |
| Vote 14 - [NAME OF VOTE 14] | | – | – | – | – | – | – | – | – | – | – |
| Vote 15 - [NAME OF VOTE 15] | | – | – | – | – | – | – | – | – | – | – |
| **Capital multi-year expenditure sub-total** | 7 | **190 610** | **273 854** | **341 318** | **158 639** | **134 701** | **134 701** | **134 701** | **192 140** | **279 118** | **271 464** |
| **Single-year expenditure** ***to be appropriated*** | 2 | | | | | | | | | | |
| Vote 1 - POLITICAL OFFICE | | 611 | 357 | 347 | – | 15 | 15 | 15 | – | – | – |
| Vote 2 - MUNICIPAL MANAGERS OFFICE | | – | 920 | 93 | – | – | – | – | – | – | – |
| Vote 3 - CHIEF OPERATING OFFICER | | 1 | 168 | – | – | – | – | – | 100 | – | – |
| Vote 4 - CORPORATE SUPPORT SERVICES | | 2 802 | 23 923 | 3 674 | 21 828 | 7 598 | 7 598 | 7 598 | 3 500 | – | – |
| Vote 5 - MUNICIPAL FINANCIAL SERVICES | | 1 436 | 23 587 | 34 739 | 2 000 | 2 000 | 2 000 | 2 000 | 2 000 | – | – |
| Vote 6 - INTEGRATED ENVIRONMENTAL MANAGE | | 2 831 | 14 069 | 3 886 | 16 340 | 4 916 | 4 916 | 4 916 | – | – | – |
| Vote 7 - SOCIAL SERVICES | | 17 104 | 13 097 | 19 782 | 16 186 | 11 288 | 11 288 | 11 288 | 12 360 | 5 001 | 11 295 |
| Vote 8 - ECONOMIC SERVICES | | – | 17 659 | 47 924 | 141 502 | 72 496 | 72 496 | 72 496 | 47 000 | – | – |
| Vote 9 - INFRASTRUCTURE SERVICES | | 8 158 | 31 235 | 16 123 | 68 474 | 42 494 | 42 494 | 42 494 | 36 778 | – | 20 020 |
| Vote 10 - [NAME OF VOTE 10] | | – | – | – | – | – | – | – | – | – | – |
| Vote 11 - [NAME OF VOTE 11] | | – | – | – | – | – | – | – | – | – | – |
| Vote 12 - [NAME OF VOTE 12] | | – | – | – | – | – | – | – | – | – | – |
| Vote 13 - [NAME OF VOTE 13] | | – | – | – | – | – | – | – | – | – | – |
| Vote 14 - [NAME OF VOTE 14] | | – | – | – | – | – | – | – | – | – | – |
| Vote 15 - [NAME OF VOTE 15] | | – | – | – | – | – | – | – | – | – | – |
| **Capital single-year expenditure sub-total** | | **32 943** | **125 014** | **126 569** | **266 330** | **140 807** | **140 807** | **140 807** | **101 738** | **5 001** | **31 316** |
| **Total Capital Expenditure - Vote** | | **223 553** | **398 868** | **467 886** | **424 969** | **275 508** | **275 508** | **275 508** | **293 878** | **284 119** | **302 780** |
| **Capital Expenditure - Standard** | | | | | | | | | | | |
| ***Governance and administration*** | | **4 974** | **60 093** | **44 351** | **25 703** | **9 614** | **9 614** | **9 614** | **5 500** | **–** | **–** |
| Executive and council | | 3 176 | 24 186 | 9 021 | 1 876 | 15 | 15 | 15 | | | |
| Budget and treasury office | | 1 436 | 34 721 | 34 608 | 2 000 | 2 000 | 2 000 | 2 000 | 2 000 | – | – |
| Corporate services | | 362 | 1 186 | 721 | 21 828 | 7 598 | 7 598 | 7 598 | 3 500 | – | – |
| ***Community and public safety*** | | **41 967** | **23 476** | **26 966** | **28 486** | **33 366** | **33 366** | **33 366** | **49 228** | **52 549** | **42 354** |
| Community and social services | | 5 346 | 5 591 | 12 162 | 19 978 | 20 141 | 20 141 | 20 141 | 24 460 | 20 524 | 27 827 |
| Sport and recreation | | 36 596 | 17 623 | 14 804 | 8 508 | 13 225 | 13 225 | 13 225 | 9 499 | 14 025 | 14 527 |
| Public safety | | 25 | 261 | | | | | | | | |
| Housing | | | | | | | | | 15 269 | 18 000 | – |
| Health | | | | | | | | | | | |
| ***Economic and environmental services*** | | **55 291** | **120 605** | **215 245** | **258 679** | **149 828** | **149 828** | **149 828** | **82 548** | **97 097** | **128 166** |
| Planning and development | | 10 011 | 34 711 | 139 311 | 188 412 | 86 158 | 86 158 | 86 158 | 64 396 | 61 078 | 89 911 |
| Road transport | | 33 944 | 62 449 | 56 234 | 43 838 | 43 197 | 43 197 | 43 197 | 18 152 | 36 018 | 38 255 |
| Environmental protection | | 11 336 | 23 446 | 19 700 | 26 428 | 20 473 | 20 473 | 20 473 | | | |
| ***Trading services*** | | **117 909** | **190 019** | **181 004** | **109 352** | **82 701** | **82 701** | **82 701** | **156 602** | **134 473** | **132 260** |
| Electricity | | 54 491 | 62 359 | 35 700 | 31 380 | 17 479 | 17 479 | 17 479 | 32 900 | 7 000 | 33 020 |
| Water | | 29 447 | 87 634 | 83 634 | 45 900 | 40 350 | 40 350 | 40 350 | 48 000 | 42 000 | 67 000 |
| Waste water management | | 25 307 | 29 340 | 52 749 | 23 463 | 22 266 | 22 266 | 22 266 | 70 702 | 80 472 | 26 924 |
| Waste management | | 8 664 | 10 686 | 8 921 | 8 610 | 2 606 | 2 606 | 2 606 | 5 000 | 5 001 | 5 316 |
| ***Other*** | | **3 412** | **4 676** | 321 | 2 748 | **–** | **–** | **–** | | **–** | |
| **Total Capital Expenditure - Standard** | 3 | **223 553** | **398 868** | **467 886** | **424 969** | **275 508** | **275 508** | **275 508** | **293 878** | **284 119** | **302 780** |
| **Funded by:** | | | | | | | | | | | |
| National Government | | 81 512 | 95 478 | 145 396 | 161 424 | 119 846 | 119 846 | 119 846 | 172 631 | 198 599 | 226 880 |
| Provincial Government | | 3 314 | 3 765 | 6 522 | 94 528 | 29 686 | 29 686 | 29 686 | 20 969 | 23 520 | 5 900 |
| District Municipality | | 2 185 | | 6 667 | | – | – | – | | | |
| Other transfers and grants | | | | | | – | – | – | | | |
| **Transfers recognised - capital** | 4 | **87 011** | **99 243** | **158 584** | **255 952** | **149 532** | **149 532** | **149 532** | **193 600** | **222 119** | **232 780** |
| **Public contributions & donations** | 5 | | 1 500 | 64 989 | | 45 658 | 45 658 | 45 658 | 20 000 | | |
| **Borrowing** | 6 | 23 221 | 174 075 | 63 047 | 2 880 | 2 880 | 2 880 | 2 880 | | | |
| **Internally generated funds** | | 113 321 | 124 050 | 181 266 | 166 137 | 77 438 | 77 438 | 77 438 | 80 278 | 62 000 | 70 000 |
| **Total Capital Funding** | 7 | **223 553** | **398 868** | **467 886** | **424 969** | **275 508** | **275 508** | **275 508** | **293 878** | **284 119** | **302 780** |

**Explanatory notes to Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source**

1. Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.

2. The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations. In relation to multi-year appropriations, for 2017/18, R194, 140 million has been allocated to capital budget of which R80, 278 million is funded from own generated revenue representing 27 per cent of the total capital budget. This allocation increases to R284, 119 million during 2018/19 and then increases to R276, 780 million during 2019/20.

3. Single-year capital expenditure has been appropriated at R101, 738 million for the 2017/18 financial year and decreases over the MTREF.

4. Unlike multi-year capital appropriations, single-year appropriations relate to expenditure that will be incurred in the specific budget year such as the procurement of office furniture and specialized tools and equipment. The budget appropriations for the two outer years are indicative allocations based on the departmental requirements as informed by the IDP and will be reviewed on an annual basis to assess the relevance of the expenditure in relation to the strategic objectives and service delivery imperatives of the City. For the purpose of funding assessment of the MTREF, these appropriations have been included but no commitments will be incurred against single-year appropriations for the two outer-years.

5. The capital programme is funded from national & provincial grants and internally generated funds to be raised during 2017/18 financial year. For 2017/18, capital transfers totals R193, 600 million or 66 per cent and increases to R232, 780 million by 2019/20 (77 per cent). Internally generated funding during 2017/18 is appropriated to R80, 278 million or 27 per cent of total capital budget, then proposed budget gradually increases to R62 million and R70 million for each of the respective financial years of the MTREF.

## Table 20 MBRR Table A6 - Budgeted Financial Position

| GT481 Mogale City - Table A6 Budgeted Financial Position | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Description | 2013/14 | 2014/15 | 2015/16 | Current Year 2016/17 | | | | 2017/18 Medium Term Revenue & Expenditure Framework | | |
| R thousand | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Pre-audit outcome | Budget Year 2017/18 | Budget Year +1 2018/19 | Budget Year +2 2019/20 |
| **ASSETS** | | | | | | | | | | |
| **Current assets** | | | | | | | | | | |
| Cash | 27 232 | 31 209 | 26 118 | – | 1 053 | 1 053 | 1 053 | 188 322 | 422 347 | 659 551 |
| Call investment deposits | 69 473 | 134 687 | 41 173 | 621 | – | – | – | 29 565 | – | – |
| Consumer debtors | 415 978 | 431 213 | 486 264 | 464 122 | 464 122 | 464 122 | 464 122 | 486 264 | 510 577 | 620 245 |
| Other debtors | 296 | 192 | 200 | 56 455 | 56 455 | 56 455 | 56 455 | | | |
| Current portion of long-term receivables | – | – | | | | | | | | |
| Inventory | 14 058 | 15 159 | 15 138 | 18 721 | 18 721 | 18 721 | 18 721 | 15 138 | 14 381 | 13 374 |
| **Total current assets** | **527 037** | **612 461** | **568 894** | **539 920** | **540 353** | **540 353** | **540 353** | **719 289** | **947 305** | **1 293 170** |
| | | | | | | | | | | |
| **Non current assets** | | | | | | | | | | |
| Long-term receivables | | | | | | | | | | |
| Investments | 53 935 | 61 608 | 70 294 | 69 793 | 69 793 | 69 793 | 69 793 | 84 055 | – | – |
| Investment property | 507 368 | 534 027 | 527 178 | 523 512 | 504 512 | 504 512 | 504 512 | 525 131 | 525 131 | 525 131 |
| Investment in Associate | | | | | | | | | | |
| Property, plant and equipment | 5 220 625 | 5 360 549 | 5 558 647 | 5 472 643 | 5 348 009 | 5 348 009 | 5 348 009 | 5 500 444 | 5 683 849 | 5 891 158 |
| Agricultural | | | – | | | | | | | |
| Biological | | | | | | | | | | |
| Intangible | 4 860 | 20 905 | 17 660 | 22 626 | 16 800 | 16 800 | 16 800 | 23 793 | 23 789 | 23 785 |
| Other non-current assets | 1 552 | 1 446 | 2 452 | | | | | | | |
| **Total non current assets** | **5 788 340** | **5 978 534** | **6 176 230** | **6 088 574** | **5 939 113** | **5 939 113** | **5 939 113** | **6 133 424** | **6 232 770** | **6 440 074** |
| **TOTAL ASSETS** | **6 315 377** | **6 590 995** | **6 745 125** | **6 628 494** | **6 479 466** | **6 479 466** | **6 479 466** | **6 852 712** | **7 180 075** | **7 733 245** |
| | | | | | | | | | | |
| **LIABILITIES** | | | | | | | | | | |
| **Current liabilities** | | | | | | | | | | |
| Bank overdraft | | | | | | | | | | |
| Borrowing | 23 154 | 41 346 | 33 814 | 33 814 | 33 814 | 33 814 | 33 814 | 118 981 | 28 949 | 27 084 |
| Consumer deposits | 45 609 | 50 542 | 56 628 | 63 307 | 63 307 | 63 307 | 63 307 | 67 331 | 70 697 | 75 646 |
| Trade and other payables | 553 272 | 608 070 | 774 435 | 430 152 | 430 152 | 430 152 | 430 152 | 654 851 | 750 594 | 803 135 |
| Provisions | 12 013 | 14 085 | 15 273 | 14 085 | 14 085 | 14 085 | 14 085 | 15 273 | 16 036 | 17 159 |
| **Total current liabilities** | **634 049** | **714 043** | **880 149** | **541 358** | **541 358** | **541 358** | **541 358** | **856 436** | **866 276** | **923 024** |
| | | | | | | | | | | |
| **Non current liabilities** | | | | | | | | | | |
| Borrowing | 321 818 | 519 153 | 506 955 | 443 132 | 443 132 | 443 132 | 443 132 | 364 150 | 324 246 | 293 084 |
| Provisions | 192 501 | 231 424 | 239 360 | 225 792 | 225 792 | 225 792 | 225 792 | 239 360 | 251 328 | 268 921 |
| **Total non current liabilities** | **514 319** | **750 578** | **746 315** | **668 924** | **668 924** | **668 924** | **668 924** | **603 509** | **575 574** | **562 005** |
| **TOTAL LIABILITIES** | **1 148 368** | **1 464 620** | **1 626 464** | **1 210 282** | **1 210 282** | **1 210 282** | **1 210 282** | **1 459 945** | **1 441 850** | **1 485 029** |
| | | | | | | | | | | |
| **NET ASSETS** | **5 167 009** | **5 126 375** | **5 118 660** | **5 418 212** | **5 269 184** | **5 269 184** | **5 269 184** | **5 392 767** | **5 738 225** | **6 248 216** |
| | | | | | | | | | | |
| **COMMUNITY WEALTH/EQUITY** | | | | | | | | | | |
| Accumulated Surplus/(Deficit) | 5 159 798 | 5 115 941 | 5 106 001 | 5 406 484 | 5 253 802 | 5 253 802 | 5 253 802 | 5 380 108 | 5 724 932 | 6 233 993 |
| Reserves | 7 211 | 10 434 | 12 660 | 11 728 | 15 382 | 15 382 | 15 382 | 12 660 | 13 293 | 14 223 |
| | | | | | | | | | | |
| **TOTAL COMMUNITY WEALTH/EQUITY** | **5 167 009** | **5 126 375** | **5 118 660** | **5 418 212** | **5 269 184** | **5 269 184** | **5 269 184** | **5 392 767** | **5 738 225** | **6 248 216** |

**Explanatory notes to Table A6 - Budgeted Financial Position**

1. Table A6 is consistent with international standards of good financial management practice, and improves understandability for councilors and management of the impact of the budget on the statement of financial position (balance sheet).

2. This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as “accounting” Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.

3. The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.

4. Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition the funding compliance assessment is informed directly by forecasting the statement of financial position.

## Table 21 MBRR Table A7 - Budgeted Cash Flow Statement

| Description | 2013/14 | 2014/15 | 2015/16 | Current Year 2016/17 | | | | 2017/18 Medium Term Revenue & Expenditure Framework | | |
|---|---|---|---|---|---|---|---|---|---|---|
| R thousand | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Pre-audit outcome | Budget Year 2017/18 | Budget Year +1 2018/19 | Budget Year +2 2019/20 |
| **CASH FLOW FROM OPERATING ACTIVITIES** | | | | | | | | | | |
| **Receipts** | | | | | | | | | | |
| Property rates, penalties & collection charges | 322 147 | 370 073 | 459 709 | 459 750 | 452 516 | 452 516 | 452 516 | 537 868 | 568 527 | 600 365 |
| Service charges | 906 390 | 1 032 472 | 955 110 | 1 430 843 | 1 300 198 | 1 300 198 | 1 300 198 | 1 378 803 | 1 421 382 | 1 467 135 |
| Other revenue | 88 261 | 122 560 | 108 222 | 137 492 | 241 122 | 241 122 | 241 122 | 297 770 | 283 561 | 299 445 |
| Government - operating | 224 377 | 261 967 | 272 642 | 298 444 | 295 559 | 295 559 | 295 559 | 345 334 | 387 809 | 429 279 |
| Government - capital | 120 383 | 103 677 | 164 871 | 255 952 | 140 390 | 140 390 | 140 390 | 193 600 | 222 119 | 232 780 |
| Interest | 23 886 | 17 286 | 15 347 | 43 547 | 29 963 | 29 963 | 29 963 | 40 393 | 42 695 | 45 086 |
| Dividends | | 19 | 20 | | | | | – | – | – |
| **Payments** | | | | | | | | | | |
| Suppliers and employees | (1 400 128) | (1 613 651) | (1 564 055) | (2 221 240) | (2 110 612) | (2 110 612) | (2 110 612) | (2 173 598) | (2 283 397) | (2 421 516) |
| Finance charges | (45 421) | (43 110) | (39 232) | (52 094) | (53 808) | (53 808) | (53 808) | (48 467) | (34 429) | (28 153) |
| Transfers and Grants | (32 510) | | | (79 071) | (52 244) | (52 244) | (52 244) | (70 572) | (61 174) | (57 353) |
| **NET CASH FROM/(USED) OPERATING ACTIVITIES** | **207 386** | **251 293** | **372 633** | **273 622** | **243 084** | **243 084** | **243 084** | **501 131** | **547 093** | **567 068** |
| | | | | | | | | | | |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | | | | | | | |
| **Receipts** | | | | | | | | | | |
| Proceeds on disposal of PPE | – | – | | 20 000 | – | – | – | 20 000 | – | – |
| **Payments** | | | | | | | | | | |
| Capital assets | (323 911) | (398 868) | (467 886) | (424 969) | (275 508) | (275 508) | (275 508) | (293 878) | (284 119) | (302 780) |
| **NET CASH FROM/(USED) INVESTING ACTIVITIES** | **(323 911)** | **(398 868)** | **(467 886)** | **(404 969)** | **(275 508)** | **(275 508)** | **(275 508)** | **(273 878)** | **(284 119)** | **(302 780)** |
| | | | | | | | | | | |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | | | | | | | | |
| **Receipts** | | | | | | | | | | |
| Borrowing long term/refinancing | 190 994 | 216 768 | | | | | | – | – | – |
| **Payments** | | | | | | | | | | |
| Repayment of borrowing | (28 080) | – | (3 352) | (33 814) | (33 814) | (33 814) | (33 814) | (106 223) | (28 949) | (27 084) |
| **NET CASH FROM/(USED) FINANCING ACTIVITIES** | **162 914** | **216 768** | **(3 352)** | **(33 814)** | **(33 814)** | **(33 814)** | **(33 814)** | **(106 223)** | **(28 949)** | **(27 084)** |
| | | | | | | | | | | |
| **NET INCREASE/ (DECREASE) IN CASH HELD** | **46 388** | **69 192** | **(98 605)** | **(165 161)** | **(66 238)** | **(66 238)** | **(66 238)** | **121 030** | **234 025** | **237 204** |
| Cash/cash equivalents at the year begin: | **43 775** | **96 705** | **165 897** | **165 782** | **67 292** | **67 292** | **67 292** | **67 292** | **188 322** | **422 347** |
| Cash/cash equivalents at the year end: | **90 163** | **165 897** | **67 292** | **621** | **1 053** | **1 053** | **1 053** | **188 322** | **422 347** | **659 551** |

## Explanatory notes to Table A7 - Budgeted Cash Flow Statement

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.

2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.

3. As part of the 2016/17 mid-year review and Adjustment Budget this unsustainable cash position had to be addressed as a matter of urgency and various interventions were implemented such as the reduction of expenditure allocations.

4. Cash and cash equivalents at the year end of the year predicts a surplus of R188, 322 million for 2017/18 financial year and increases to R659,551 million by 2019/20.

## Table 22 MBRR Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

| Description | Ref | 2013/14 | 2014/15 | 2015/16 | Current Year 2016/17 | | | | 2017/18 Medium Term Revenue & | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| R thousand | | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Pre-audit outcome | Budget Year 2017/18 | Budget Year +1 2018/19 | Budget Year +2 2019/20 |
| **Cash and investments available** | | | | | | | | | | | |
| Cash/cash equivalents at the year end | 1 | 90 163 | 165 897 | 67 292 | 621 | 1 053 | 1 053 | 1 053 | 188 322 | 422 347 | 659 551 |
| Other current investments > 90 days | | 6 541 | (0) | 0 | – | (0) | (0) | (0) | 29 565 | 0 | 0 |
| Non current assets - Investments | 1 | 53 935 | 61 608 | 70 294 | 69 793 | 69 793 | 69 793 | 69 793 | 84 055 | – | – |
| **Cash and investments available:** | | **150 639** | **227 504** | **137 585** | **70 414** | **70 846** | **70 846** | **70 846** | **301 942** | **422 347** | **659 551** |
| | | | | | | | | | | | |
| **Application of cash and investments** | | | | | | | | | | | |
| Unspent conditional transfers | | 8 183 | 1 712 | 14 485 | – | – | – | – | – | – | – |
| Unspent borrowing | | – | – | – | – | – | – | | – | – | – |
| Statutory requirements | 2 | 71 704 | 60 771 | 47 524 | 79 075 | 79 075 | 79 075 | 79 075 | 47 524 | 50 232 | 53 045 |
| Other working capital requirements | 3 | 160 568 | 196 882 | 368 647 | (158 908) | (162 187) | (162 187) | (162 187) | 128 510 | 198 162 | 139 408 |
| Other provisions | | 14 984 | 14 085 | 15 273 | 14 085 | 14 085 | 14 085 | 14 085 | 15 273 | 16 036 | 17 159 |
| Long term investments committed | 4 | 53 935 | 61 608 | 70 294 | 69 793 | 69 793 | 69 793 | 69 793 | 84 055 | – | – |
| Reserves to be backed by cash/investments | 5 | | | | | | | | | | |
| **Total Application of cash and investments:** | | **309 374** | **335 057** | **516 222** | **4 045** | **766** | **766** | **766** | **275 361** | **264 431** | **209 613** |
| **Surplus(shortfall)** | | **(158 734)** | **(107 553)** | **(378 636)** | **66 369** | **70 080** | **70 080** | **70 080** | **26 581** | **157 916** | **449 938** |

## Explanatory notes to Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget.

2. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.

3. The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be "funded".

4. From the table above it can be seen that from 2013/14 to 2015/16 audited outcome indicated a shortfall of R158, 734 million and increases to R378, 636 million during 2015/16, this has put pressure in our cash flow for about 3 years. The projection for 2017/18 indicates a surplus of R26, 581 million increasing over the MTREF to R449, 938 million.

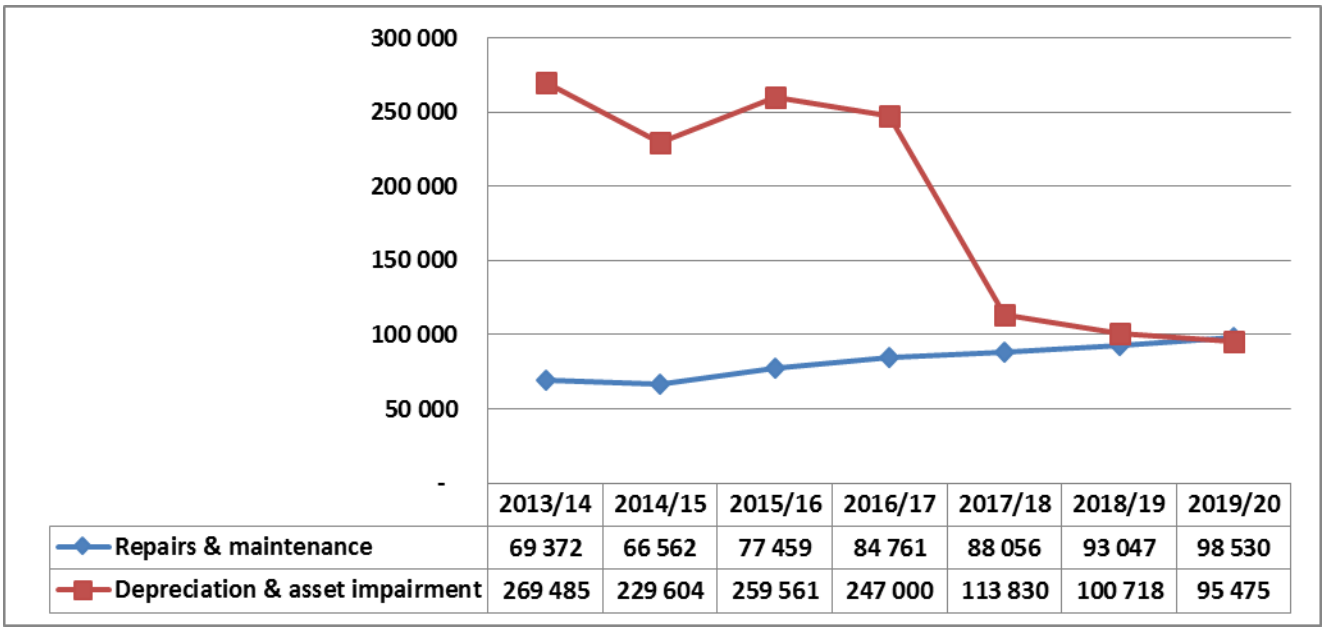
5. The objective for the final approval budget for the 2017/18 MTREF must ensure that the budget is funded and aligned to section 18 of the MFMA.

## Table 23 MBRR Table A9 - Asset Management

| GT481 Mogale City - Table A9 Asset Management | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Description | 2013/14 | 2014/15 | 2015/16 | Current Year 2016/17 | | | 2017/18 Medium Term Revenue & Expenditure Framework | | |
| R thousand | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Budget Year 2017/18 | Budget Year +1 2018/19 | Budget Year +2 2019/20 |
| **CAPITAL EXPENDITURE** | | | | | | | | | |
| **Total New Assets** | **92 159** | **255 061** | **344 615** | **309 685** | **195 204** | **195 204** | **260 823** | **256 452** | **263 779** |
| *Infrastructure - Road transport* | 1 512 | 41 653 | 35 217 | 31 638 | 32 897 | 32 897 | 18 152 | 36 018 | 38 255 |
| *Infrastructure - Electricity* | 54 468 | 52 461 | 37 854 | 10 044 | 15 609 | 15 609 | 25 900 | 7 000 | 23 000 |
| *Infrastructure - Water* | 7 674 | 30 274 | 45 404 | 20 400 | 18 350 | 18 350 | 51 500 | 42 000 | 67 000 |
| *Infrastructure - Sanitation* | 5 113 | 13 622 | 35 260 | 21 363 | 21 344 | 21 344 | 62 324 | 80 472 | 26 924 |
| *Infrastructure - Other* | – | – | – | – | – | – | 20 000 | 40 000 | 40 000 |
| Infrastructure | *68 767* | *138 010* | *153 736* | *83 444* | *88 200* | *88 200* | *177 876* | *205 490* | *195 179* |
| Community | 7 826 | 19 592 | 11 272 | 12 623 | 12 647 | 12 647 | 13 700 | 15 523 | 22 511 |
| Heritage assets | – | 239 | 1 006 | – | – | – | – | – | – |
| Investment properties | – | – | – | – | – | – | – | – | – |
| Other assets | 12 824 | 70 323 | 174 956 | 197 791 | 92 342 | 92 342 | 62 247 | 35 440 | 46 089 |
| Agricultural Assets | – | 57 | – | – | – | – | – | – | – |
| Biological assets | – | – | – | – | – | – | – | – | – |
| Intangibles | 2 742 | 26 839 | 3 645 | 15 826 | 2 015 | 2 015 | 7 000 | – | – |
| | | | | | | | | | |
| **Total Renewal of Existing Assets** | **131 394** | **143 807** | **123 271** | **115 284** | **80 304** | **80 304** | **33 055** | **27 667** | **39 001** |
| *Infrastructure - Road transport* | 32 432 | 20 675 | 21 013 | 12 200 | 10 300 | 10 300 | – | – | – |
| *Infrastructure - Electricity* | 15 | 7 001 | 3 413 | 21 336 | 1 870 | 1 870 | – | – | 10 020 |
| *Infrastructure - Water* | 21 774 | 57 360 | 37 838 | 24 000 | 22 000 | 22 000 | 2 500 | – | – |
| *Infrastructure - Sanitation* | 20 191 | 15 441 | 17 488 | 1 300 | 400 | 400 | – | – | – |
| *Infrastructure - Other* | 10 070 | 2 483 | – | – | – | – | – | – | – |
| Infrastructure | *84 482* | *102 960* | *79 752* | *58 836* | *34 570* | *34 570* | *2 500* | – | *10 020* |
| Community | 42 755 | 17 555 | 41 179 | 51 848 | 43 703 | 43 703 | 25 259 | 24 028 | 25 159 |
| Heritage assets | – | 1 347 | 400 | – | – | – | – | – | – |
| Investment properties | – | – | – | – | – | – | – | – | – |
| Other assets | 4 157 | 21 946 | 1 939 | 4 600 | 2 031 | 2 031 | 5 296 | 3 639 | 3 822 |
| Agricultural Assets | – | – | – | – | – | – | – | – | – |
| Biological assets | – | – | – | – | – | – | – | – | – |
| Intangibles | – | – | – | – | – | – | – | – | – |
| | | | | | | | | | |
| **Total Capital Expenditure** | | | | | | | | | |
| *Infrastructure - Road transport* | 33 944 | 62 328 | 56 230 | 43 838 | 43 197 | 43 197 | 18 152 | 36 018 | 38 255 |
| *Infrastructure - Electricity* | 54 483 | 59 462 | 41 267 | 31 380 | 17 479 | 17 479 | 25 900 | 7 000 | 33 020 |
| *Infrastructure - Water* | 29 447 | 87 634 | 83 242 | 44 400 | 40 350 | 40 350 | 54 000 | 42 000 | 67 000 |
| *Infrastructure - Sanitation* | 25 304 | 29 063 | 52 749 | 22 663 | 21 744 | 21 744 | 62 324 | 80 472 | 26 924 |
| *Infrastructure - Other* | 10 070 | 2 483 | – | – | – | – | 20 000 | 40 000 | 40 000 |
| Infrastructure | *153 248* | *240 970* | *233 488* | *142 280* | *122 770* | *122 770* | *180 376* | *205 490* | *205 199* |
| Community | 50 581 | 37 147 | 52 452 | 64 470 | 56 350 | 56 350 | 38 959 | 39 551 | 47 670 |
| Heritage assets | – | 1 586 | 1 406 | – | – | – | – | – | – |
| Investment properties | – | – | – | – | – | – | – | – | – |
| Other assets | 16 981 | 92 269 | 176 895 | 202 391 | 94 373 | 94 373 | 67 543 | 39 078 | 49 911 |
| Agricultural Assets | – | 57 | – | – | – | – | – | – | – |
| Biological assets | – | – | – | – | – | – | – | – | – |
| Intangibles | 2 742 | 26 839 | 3 645 | 15 826 | 2 015 | 2 015 | 7 000 | – | – |
| **TOTAL CAPITAL EXPENDITURE - Asset class** | **223 553** | **398 868** | **467 886** | **424 969** | **275 508** | **275 508** | **293 878** | **284 119** | **302 780** |
| | | | | | | | | | |
| **ASSET REGISTER SUMMARY - PPE (WDV)** | | | | | | | | | |
| *Infrastructure - Road transport* | 2 192 907 | 2 154 408 | 2 138 099 | 1 987 836 | 1 986 944 | 1 986 944 | 1 975 937 | 1 965 884 | 1 960 394 |
| *Infrastructure - Electricity* | 1 072 194 | 1 088 666 | 1 045 704 | 1 087 981 | 1 074 080 | 1 074 080 | 1 081 904 | 1 077 072 | 1 098 857 |
| *Infrastructure - Water* | 489 514 | 458 366 | 520 009 | 529 778 | 524 228 | 524 228 | 554 926 | 585 600 | 641 847 |
| *Infrastructure - Sanitation* | 560 640 | 478 630 | 493 011 | 629 566 | 628 369 | 628 369 | 684 643 | 755 671 | 773 628 |
| *Infrastructure - Other* | 167 151 | 2 483 | – | 206 598 | 200 598 | 200 598 | 202 697 | 202 832 | 203 041 |
| Infrastructure | *4 482 407* | *4 182 553* | *4 196 823* | *4 441 758* | *4 414 219* | *4 414 219* | *4 500 107* | *4 587 058* | *4 677 767* |
| Community | 704 995 | 581 157 | 722 314 | 923 062 | 832 906 | 832 906 | 889 259 | 982 608 | 1 091 990 |
| Heritage assets | 620 | 1 556 | 2 452 | 620 | 620 | 620 | | | |
| Investment properties | 507 368 | 534 027 | 527 178 | 523 512 | 504 512 | 504 512 | 525 131 | 525 131 | 525 131 |
| Other assets | 32 603 | 595 284 | 637 058 | 107 203 | 100 264 | 100 264 | 111 078 | 114 183 | 121 400 |
| Agricultural Assets | – | – | – | – | – | – | – | – | – |
| Biological assets | – | – | – | – | – | – | – | – | – |
| Intangibles | 4 860 | 20 905 | 17 660 | 22 626 | 16 800 | 16 800 | 23 793 | 23 789 | 23 785 |
| **TOTAL ASSET REGISTER SUMMARY - PPE (WDV)** | **5 732 853** | **5 915 481** | **6 103 485** | **6 018 781** | **5 869 320** | **5 869 320** | **6 049 369** | **6 232 770** | **6 440 074** |
| | | | | | | | | | |
| **EXPENDITURE OTHER ITEMS** | | | | | | | | | |
| **Depreciation & asset impairment** | 269 169 | 229 604 | 259 561 | 298 154 | 247 000 | 247 000 | 113 830 | 100 718 | 95 475 |
| **Repairs and Maintenance by Asset Class** | 69 372 | 66 355 | 77 080 | 107 087 | 84 761 | 84 761 | 88 056 | 93 047 | 98 530 |
| *Infrastructure - Road transport* | 5 691 | 7 351 | 6 391 | 6 707 | 5 137 | 5 137 | 10 137 | 10 715 | 11 315 |
| *Infrastructure - Electricity* | 10 472 | 19 185 | 16 017 | 39 109 | 29 850 | 29 850 | 21 950 | 23 201 | 24 500 |
| *Infrastructure - Water* | 2 887 | 5 447 | – | 12 125 | 12 104 | 12 104 | 12 104 | 12 794 | 13 510 |
| *Infrastructure - Sanitation* | 9 482 | 9 202 | 15 424 | 16 993 | 13 466 | 13 466 | 13 466 | 14 234 | 15 031 |
| *Infrastructure - Other* | 6 039 | 2 998 | 5 380 | 6 414 | 4 758 | 4 758 | 4 759 | 5 030 | 5 312 |
| Infrastructure | *34 572* | *44 183* | *43 212* | *81 348* | *65 316* | *65 316* | *62 416* | *65 974* | *69 668* |
| Community | 6 189 | 6 806 | 6 361 | 9 460 | 3 821 | 3 821 | 4 130 | 4 365 | 4 610 |
| Heritage assets | – | – | – | – | – | – | – | – | – |
| Investment properties | – | – | – | – | – | – | – | – | – |
| Other assets | 28 612 | 15 366 | 27 507 | 16 279 | 15 624 | 15 624 | 21 510 | 22 708 | 24 252 |
| **TOTAL EXPENDITURE OTHER ITEMS** | **338 541** | **295 959** | **336 641** | **405 241** | **331 761** | **331 761** | **201 886** | **193 765** | **194 005** |
| | | | | | | | | | |
| ***Renewal of Existing Assets as % of total capex*** | *58,8%* | *36,1%* | *26,3%* | *27,1%* | *29,1%* | *29,1%* | *11,2%* | *9,7%* | *12,9%* |
| ***Renewal of Existing Assets as % of deprecn"*** | *48,8%* | *62,6%* | *47,5%* | *38,7%* | *32,5%* | *32,5%* | *29,0%* | *27,5%* | *40,8%* |
| ***R&M as a % of PPE*** | *1,3%* | *1,2%* | *1,4%* | *2,0%* | *1,6%* | *1,6%* | *1,6%* | *1,6%* | *1,7%* |
| ***Renewal and R&M as a % of PPE*** | *4,0%* | *4,0%* | *3,0%* | *4,0%* | *3,0%* | *3,0%* | *2,0%* | *2,0%* | *2,0%* |

**Explanatory notes to Table A9 - Asset Management**

1. Table A9 provides an overview of municipal capital allocations to building new assets and the renewal of existing assets, as well as spending on repairs and maintenance by asset class.
2. National Treasury has recommended that municipalities should allocate at least 40 per cent of their capital budget to the renewal of existing assets, and allocations to repairs and maintenance should be 8 per cent of total value of PPE.
3. During 2017/18 financial year 11.2 per cent of capital budget is allocated to renewal of existing assets, repairs & maintenance as a percentage of PPE for 2017/18 to 2019/20 is remaining constant at 1.7 per cent. Mogale City will continue and strive to renew, upgrade and maintain its assets to deliver better quality service to all.
4. The following graph provides an analysis between depreciation and operational repairs and maintenance over the MTREF. It highlights the City's strategy to address the maintenance backlog.




| | 2013/14 | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 |
|---|---|---|---|---|---|---|---|
| Repairs & maintenance | 69 372 | 66 562 | 77 459 | 84 761 | 88 056 | 93 047 | 98 530 |
| Depreciation & asset impairment | 269 485 | 229 604 | 259 561 | 247 000 | 113 830 | 100 718 | 95 475 |

**Figure 10 Depreciation in relation to repairs and maintenance over the MTREF**

# Table 24 MBRR Table A10 - Basic Service Delivery Measurement

**GT481 Mogale City - Table A10 Basic service delivery measurement**

| Description | Ref | 2013/14 | 2014/15 | 2015/16 | Current Year 2016/17 | | | 2017/18 Medium Term Revenue & Expenditure Framework | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Outcome | Outcome | Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Budget Year 2017/18 | Budget Year +1 2018/19 | Budget Year +2 2019/20 |
| **Household service targets** | 1 | | | | | | | | | |
| ***Water:*** | | | | | | | | | | |
| Piped water inside dwelling | | 58 981 | 64 283 | 68 140 | 72 338 | 72 338 | 72 338 | 74 001 | 75 703 | 80 246 |
| Piped water inside yard (but not in dwelling) | | 38 274 | 38 116 | 40 403 | 38 690 | 38 690 | 38 690 | 38 883 | 39 078 | 41 422 |
| Using public tap (at least min.service level) | 2 | 4 464 | 7 020 | 7 441 | 5 383 | 5 383 | 5 383 | 5 615 | 5 834 | 6 184 |
| Other water supply (at least min.service level) | 4 | – | – | – | – | – | – | – | – | – |
| *Minimum Service Level and Above sub-total* | | 101 719 | 109 419 | 115 984 | 116 410 | 116 410 | 116 410 | 118 500 | 120 615 | 127 851 |
| Using public tap (< min.service level) | 3 | – | 4 500 | 4 770 | 3 873 | 3 873 | 3 873 | 3 641 | 3 422 | 3 628 |
| Other water supply (< min.service level) | 4 | 1 309 | – | 1 309 | 1 291 | 1 291 | 1 291 | 1 214 | 1 141 | 1 209 |
| No water supply | | 3 613 | 3 454 | 3 613 | 3 117 | 3 117 | 3 117 | 2 930 | 2 754 | 2 919 |
| *Below Minimum Service Level sub-total* | | 4 922 | 7 954 | 9 692 | 8 281 | 8 281 | 8 281 | 7 784 | 7 317 | 7 756 |
| **Total number of households** | 5 | **106 641** | **117 373** | **125 676** | **124 691** | **124 691** | **124 691** | **126 284** | **127 931** | **135 607** |
| ***Sanitation/sewerage:*** | | | | | | | | | | |
| Flush toilet (connected to sewerage) | | 124 716 | 91 757 | 124 716 | 101 162 | 101 162 | 101 162 | 103 932 | 106 696 | 113 098 |
| Flush toilet (with septic tank) | | 58 400 | 6 781 | 58 400 | 6 815 | 6 815 | 6 815 | 6 474 | 6 150 | 6 519 |
| Chemical toilet | | 46 109 | 3 430 | 46 109 | 3 404 | 3 404 | 3 404 | 3 234 | 3 072 | 3 256 |
| Pit toilet (ventilated) | | – | 2 755 | 2 920 | 2 700 | 2 700 | 2 700 | 2 565 | 2 437 | 2 583 |
| Other toilet provisions (> min.service level) | | 88 740 | 5 675 | 88 740 | 5 634 | 5 634 | 5 634 | 5 352 | 5 085 | 5 390 |
| *Minimum Service Level and Above sub-total* | | 317 965 | 110 398 | 320 885 | 119 715 | 119 715 | 119 715 | 121 557 | 123 440 | 130 847 |
| Bucket toilet | | – | 3 702 | 3 924 | 2 817 | 2 817 | 2 817 | 2 676 | 2 542 | 2 695 |
| Other toilet provisions (< min.service level) | | – | 971 | 1 029 | 728 | 728 | 728 | 692 | 657 | 697 |
| No toilet provisions | | 1 085 | 2 302 | 1 085 | 1 431 | 1 431 | 1 431 | 1 359 | 1 291 | 1 369 |
| *Below Minimum Service Level sub-total* | | 1 085 | 6 975 | 6 038 | 4 976 | 4 976 | 4 976 | 4 727 | 4 491 | 4 760 |
| **Total number of households** | 5 | **319 050** | **117 373** | **326 924** | **124 691** | **124 691** | **124 691** | **126 284** | **127 931** | **135 607** |
| ***Energy:*** | | | | | | | | | | |
| Electricity (at least min.service level) | | 24 925 | 24 925 | 24 925 | 107 477 | 107 477 | 107 477 | 110 164 | 112 918 | 119 693 |
| Electricity - prepaid (min.service level) | | 6 035 | 6 034 | 6 035 | 6 307 | 6 307 | 6 307 | 6 338 | 6 370 | 6 752 |
| *Minimum Service Level and Above sub-total* | | 30 960 | 30 959 | 30 960 | 113 784 | 113 784 | 113 784 | 116 503 | 119 288 | 126 446 |
| Electricity (< min.service level) | | – | – | – | – | – | – | – | – | – |
| Electricity - prepaid (< min. service level) | | 5 823 | 5 823 | 5 823 | 6 086 | 6 086 | 6 086 | 6 117 | 6 147 | 6 516 |
| Other energy sources | | – | – | – | 4 821 | 4 821 | 4 821 | 3 665 | 2 495 | 2 645 |
| *Below Minimum Service Level sub-total* | | 5 823 | 5 823 | 5 823 | 10 907 | 10 907 | 10 907 | 9 781 | 8 643 | 9 161 |
| **Total number of households** | 5 | **36 784** | **36 782** | **36 784** | **124 691** | **124 691** | **124 691** | **126 284** | **127 931** | **135 607** |
| ***Refuse:*** | | | | | | | | | | |
| Removed at least once a week | | 81 500 | 93 488 | 81 500 | 103 020 | 103 020 | 103 020 | 105 544 | 108 130 | 114 618 |
| *Minimum Service Level and Above sub-total* | | 81 500 | 93 488 | 81 500 | 103 020 | 103 020 | 103 020 | 105 544 | 108 130 | 114 618 |
| Removed less frequently than once a week | | – | 2 159 | 2 159 | 2 073 | 2 073 | 2 073 | 1 990 | 1 910 | 2 025 |
| Using communal refuse dump | | – | 3 091 | 3 091 | 2 967 | 2 967 | 2 967 | 2 849 | 2 735 | 2 899 |
| Using own refuse dump | | – | 13 720 | 13 720 | 13 171 | 13 171 | 13 171 | 12 644 | 12 139 | 12 867 |
| Other rubbish disposal | | – | 824 | 824 | 791 | 791 | 791 | 759 | 729 | 773 |
| No rubbish disposal | | – | 4 091 | 4 091 | 2 668 | 2 668 | 2 668 | 2 498 | 2 289 | 2 426 |
| *Below Minimum Service Level sub-total* | | – | 23 885 | 23 885 | 21 671 | 21 671 | 21 671 | 20 740 | 19 801 | 20 989 |
| **Total number of households** | 5 | **81 500** | **117 373** | **105 385** | **124 691** | **124 691** | **124 691** | **126 284** | **127 931** | **135 607** |
| **Households receiving Free Basic Service** | 7 | | | | | | | | | |
| Water (6 kilolitres per household per month) | | 45 500 | 45 500 | 45 500 | 45 728 | 45 728 | 45 728 | 46 642 | 47 575 | 48 526 |
| Sanitation (free minimum level service) | | – | – | – | – | – | – | – | – | – |
| Electricity/other energy (50kwh per household per month) | | – | – | – | – | – | – | – | – | – |
| Refuse (removed at least once a week) | | – | – | – | – | – | – | – | – | – |
| **Cost of Free Basic Services provided - Formal Settlements (R'000)** | 8 | | | | | | | | | |
| Water (6 kilolitres per **indigent** household per month) | | – | – | – | – | – | – | – | – | – |
| Sanitation (free sanitation service to **indigent households**) | | – | – | – | – | – | – | – | – | – |
| Electricity/other energy (50kwh per **indigent** household per month) | | – | – | – | – | – | – | – | – | – |
| Refuse (removed once a week **for indigent households**) | | – | – | – | – | – | – | – | – | – |
| **Cost of Free Basic Services provided - Informal Formal Settlements (R'000)** | | – | – | – | – | – | – | – | – | – |
| **Total cost of FBS provided** | | – | – | – | – | – | – | – | – | – |
| **Highest level of free service provided per household** | | | | | | | | | | |
| Property rates (R value threshold) | | – | 40 000 | 40 000 | 40 000 | 40 000 | 40 000 | 40 000 | 40 000 | 40 000 |
| Water (kilolitres per household per month) | | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 |
| Sanitation (kilolitres per household per month) | | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 |
| Sanitation (Rand per household per month) | | 137 | 153 | 162 | 165 | 165 | 165 | 170 | 175 | 175 |
| Electricity (kwh per household per month) | | 50 | 50 | 50 | 50 | 50 | 50 | 50 | 50 | 50 |
| Refuse (average litres per week) | | 105 | 121 | 128 | 240 | 240 | 240 | 240 | 240 | 240 |
| **Revenue cost of subsidised services provided (R'000)** | 9 | | | | | | | | | |
| Property rates **(tariff adjustment)** ( **impermissable values per section 17 of MPRA**) | | 420 | 485 | 485 | 500 | 500 | 500 | 550 | 600 | 600 |
| Property rates exemptions, reductions and rebates **and impermissable values in excess of section 17 of MPRA)** | | 179 219 | 208 711 | – | 228 717 | 214 771 | 214 771 | 214 771 | 257 201 | 271 861 |
| Water **(in excess of 6 kilolitres per indigent household per month)** | | – | – | – | 102 975 | 102 975 | 102 975 | 102 975 | – | – |
| Sanitation **(in excess of free sanitation service to indigent households)** | | – | – | – | 19 322 | 19 322 | 19 322 | 19 322 | – | – |
| Electricity/other energy **(in excess of 50 kwh per indigent household per month)** | | – | – | – | 7 207 | – | – | – | – | – |
| Refuse **(in excess of one removal a week for indigent households)** | | – | – | – | 12 427 | 12 427 | 12 427 | 12 427 | – | – |
| Municipal Housing - rental rebates | | – | | | | | | | | |
| Housing - top structure subsidies | 6 | – | – | | | | | | | |
| Other | | – | – | | | | | | | |
| **Total revenue cost of subsidised services provided** | | **179 639** | **209 196** | **485** | **371 148** | **349 995** | **349 995** | **350 045** | **257 801** | **272 461** |

**Explanatory notes to Table A10 - Basic Service Delivery Measurement**

1. Table A10 provides an overview of service delivery levels, including backlogs (below minimum service level), for each of the main services.

2. Mogale City continues to make progress with the eradication of backlogs:
    a. Water services – (below minimum service level) 7 784 households are provided by water through water tankering. These households are largely found in 'rural areas' and these areas are the key focus priority of the City in eradicating poverty and low service delivery.
    b. Sanitation services – backlog have been eradicated as the City is providing or renting chemical toilets mostly for Informal Settlements in rural areas.
    c. Electricity services - as indicated elsewhere, the emphasis in the electricity sector is on addressing urgent network upgrades. Once the most pressing network issues have been addressed, the electrification programme will be prioritised.

3. The budget provides for 13 400 households to be registered as indigent in 2017/18 currently Mogale City is providing free basic services to 8,113 households. The number is set to increase to 14,000 households given the rapid rate of in-migration to the City, especially by poor people seeking economic opportunities.

4. It is anticipated that these Free Basic Services will cost the municipality R135, 274 million in 2017/18. This is covered by the municipality's equitable share allocation from national government.

# 2. Part 2 – Supporting Documentation

## 2.1 Overview of the annual budget process

Section 53 of the MFMA requires the Executive Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Executive Mayor of the municipality must establish a Budget Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

The Budget Committee consists of the Municipal Manager and senior officials of the municipality meeting under the chairpersonship of the MMC for Finance.

The primary aim of the Budget Committee is to ensure:

- that the process followed to compile the budget complies with legislation and good budget practices;
- that there is proper alignment between the policy and service delivery priorities set out in the City's IDP and the budget, taking into account the need to protect the financial sustainability of municipality;
- that the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- that the various spending priorities of the different municipal departments are properly evaluated and prioritised in the allocation of resources.

### 2.1.1 Budget Process Overview

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2014) a time schedule that sets out the process to revise the IDP and prepare the budget.

The Executive Mayor tabled in Council the required IDP and budget time schedule on 31 August 2016. Key dates applicable to the process were:

| PHASES | ACTIVITIES | RESPONSIBLE | DATES |
|---|---|---|---|
| **Phase 1 Planning Process** | | | |
| | Adoption of IDP/ budget Process Plan | IDP and BTO | August 2016 |
| | Presentation to IDP/ budget task team | IDP | August 2016 |
| Strategic IDP/Budget workshop for Mayoral Committee and Senior Management | Presentation to councillors | IDP and BTO | October 2016 |
| | Review of 2017/18 public participation to determine the following<br>• What needs to be improved for the public participation<br>• What are the possible alternatives for the next public participation? | IDP and Public Participation Divisions | October 2016 |
| | • Review 1st quarter performance<br>• Determine service delivery priorities<br>• Agree on MTFF and it assumptions.<br>• Agree on initial cash limits for each department | IDP unit and BTO | October 2016 |
| | MEC comments review | IDP Division | Oct/Nov 2016 |
| | Executive Managers/Managers complete stage 1 IDP/Budget input forms. | All Departments | November 2016 |
| | Public Participation Process | Mayoral committee | Oct- Nov 2016 |
| **Phase 2 Analysis** | | | |
| Community and stakeholder analysis | Community and stakeholder register | Office of the Speaker | October 2016 |
| | Consideration of economic priorities | Financial Services | Oct/Nov 2016 |
| | Institutional analysis | Corporate Services | Oct/Nov 2016 |
| | Spatial Priorities | Planning and Development | Oct/Nov 2016 |
| | Socio-Economic Priorities | IDP Unit | Oct/Nov 2016 |
| | Institutional transformation | All Departments | Oct/Nov 2016 |
| | Compliance with IDP legal framework | The entire municipality | Oct/Nov 2016 |
| | Alignment of Priorities | IDP unit | Oct/Nov 2016 |
| **PHASE 3 STRATEGIES** | | | |
| | Vision and Mission | The entire municipality | October 2016 |
| | Objectives and development priorities | The entire municipality | October 2016 |
| | Programme and Project Identification | The entire municipality | October 2016 |

| | | | |
|---|---|---|---|
| **PHASE 4 PROGRAMME AND PROJECTS** | | | |
| Project &programme proposals | Priority Programmes and Projects | All Departments | |
| Project costing | CAPEX and OPEX costing | BTO | December 2017 |
| | Setting of project targets and indicators | All Departments | |
| **PHASE 5 INTEGRATION** | | | |
| | MEC comments | IDP unit | January 2017 |
| | Sectoral plans | All Departments | |
| | Operational plans | | |
| | Performance review | M& E | January 2017 |
| | • Agreement on the 2016/17adjustment budget<br>• Agreement on changes proposed by Executive Mayor and Councillors on IDP/Budget | IDP and BTO | January 2017 |
| | Tabling of the midyear performance review and 2015/16 annual report | Executive Mayor | 25 January 2017 |
| | Submission of stage II input forms by Executive Managers and Manager | All Department | February 2017 |
| **PHASE 6 APPROVAL** | | | |
| | Tabling of the IDP/Budget to Portfolios | IDP/Budget Office | March 2017 |
| | Tabling of the draft IDP and budget to council | Executive Mayor | March 2017 |
| | Public Notice inviting comments | IDP unit | March 2017 |
| | Statutory Public Participation process | Exec. Mayor | April 2017 |
| | Responses to and incorporation of comments including portfolio Committees inputs | | |
| | Tabling of IDP and budget for consideration/ approval. | Municipal Council | May/June 2017 |
| | Submission of the approved IDP to the MEC of Local Government | IDP unit | June/July 2017 |
| | Approval of the SDBIP | Executive Mayor | June/July 2017 |
| **PHASE 7 IMPLEMENTATION** | | | |
| | Project implementation in accordance with the SDBIP | All Departments | July 2017 – June 2018 |
| | Submission of the SDBIP to Nat, Prov, Treasury | IDP | July 2017 |
| | Monitoring | M&E | |
| | Review/Adjustment | All Departments | January 2018 |
| | Submission of the Revised SDBIP to Nat, Prov, Treasury | IDP | March 2018 |
| | Quarterly reporting MM, MEC, council | M&E | Every quarter |
| **PHASE 8 ANNUAL REVIEW** | | | |
| **Draft Annual Report** | Submission of unaudited Draft Annual Report to MPAC | M & E | Aug 17 |
| | Submission of the Annual Report to AG | M&E | Aug 17 |

| | | | |
|---|---|---|---|
| | Tabling of the Annual Report | M&E | Nov 17 |
| **Oversight Report** | Oversight Report made public and Submitted to National Treasury and Local Government Departments | Council | Dec 17 |

## 2.2 Overview of budget related-policies

2.3.1 Various policies approved by Council underpin governance and the financial functioning of the municipality and are relevant to the budget process. The purpose of this section of the Budget Report is to indicate the key policies in this regard and to seek approval for any new or amended policies by Council.

2.3.2 The following budget related policies were approved by Council for the implementation in the 2010/11, 2011/12, 2013/14, 2014/15, 2015/16 and 2016/17 financial years remain in force for the 2017/18 financial year:

1. Write Off Policy
2. Sports & Recreation Facilities Tariff Policy
3. General Tariff Policy
4. Funding & Reserves Policy
5. Directives for Deviations from the normal SCM Process
6. Public Safety Tariff Policy
7. Development Contribution for Engineering Services Policy
8. Water Services By-laws
9. Mogale City Tree Management & Conversation Policy
10. Mogale City Parks By-laws
11. Waste Tariff Policy

1.1.3 **Review of Property Rates Policy**

**Changes are proposed to the 2016/2017 Property Rates Policy as follows:**

**1.** Addition of a Vacant Residential category 7.1.9, addition of a category: Municipal Properties - 7.1.13 and Religious – 7.1.14
**2.** Amendment – section 11.1. (c) PSI are exempted to – 13. 1 (e) PSI are given a rebate of 75%
**3.** Addition to 13.1. (a) The municipality may award a 75% rebate on the assessment rates of PBO properties after owners of such properties have applied to the CFO and the application thereof approved.

**2.3.4 Review of credit control and debt collection policy**

**Changes and additions are proposed to the 2016/17 policy as follows:**

**1**. The clause, both residential and business/industrials customers who are found to have illegally connected the municipal services to themselves will be charges a fee in terms of the approved municipal tariff was added on clause 6.3.

2. The client charged with illegal consumption/connection in terms of the approved municipal tariff clause was added on clause 6.7.

3. Clause admin fee replaces cut off fee on clause 6.4.2. The municipality reserves the right to charge cost or admin fee irrespective of whether the actual action took place or not was added on clause 6.4.2. On the 7-day reminder, the electricity supply to the debtor is discontinued together with the notice for the reason of the discontinuance.

1. The clause 6.14.2.11 is added: arrangements are authorized and approved by Specialist.

2. Clause: municipality may open tenants account only for consumers who are approved as indigents to allow them to benefit from the indigent program, and a permission letter from the owner will be required. The clause is added on clause 5.7.1.

**Changes and additions are proposed to the 2016/17 approved policy all the changes and additions are highlighted in red on the attached policies.**

2.3.5 Review of Cash Management & Investment Policy

2.3.6 Long Term Financial Planning Policy

2.3.7 Virement Policy

2.3.8 Budget Management Policy

2.3.9 Adjustment Budget Policy

2.3.10 Borrowing Policy

2.3.11 Immovable Assets Management Policy

2.3.12 Supply Chain Management Policy

## 2.3 Overview of budget assumptions

### General inflation outlook and its impact on the municipal activities

There are five key factors that have been taken into consideration in the compilation of the 2017/18 MTREF:

- National Government macro-economic targets;
- The general inflationary outlook and the impact on City's residents and businesses;
- The impact of municipal cost drivers;
- The increase in prices for bulk electricity and water; and
- The increase in the cost of remuneration. Employee related costs comprise 28 per cent of total operating expenditure in the 2017/18 MTREF.

### 2.3.1 Interest rates for borrowing and investment of funds

The MFMA specifies that borrowing can only be utilised to fund capital or refinancing of borrowing in certain conditions. The City engages in a number of financing arrangements to minimise its interest rate costs and risk. There is no borrowing during 2017/18 financial year.

### 2.3.2 Collection rate for revenue services

It is also assumed that current economic conditions, and relatively controlled inflationary conditions, will continue for the forecasted term, having considered this it is prudent to assume that tariff increases will be modest going forward.

The rate of revenue collection is currently expressed as a percentage **(96 per cent)** of annual billings. Cash flow is assumed to be 96 per cent of billings, plus an increased collection of arrear debt from the revised credit control and debt collection policy. The performance of arrear collections will however only be considered a source of additional cash in-flow once the performance has been carefully monitored.

### 2.3.3 Salary increases

Employee related cost overall will increase by 7.35% based on *Salary and Wage Collective Agreement* for the period 01 July 2015 to 30 June 2018.

*2017/18 Financial Year – average CPI (Feb 2016 – Jan 2017) + 1 per cent*

### 2.3.4 Impact of national, provincial and local policies

Integration of service delivery objectives between national, provincial and local government is critical to ensure focussed service delivery and in this regard various measures were implemented to align IDPs, provincial and national strategies around priority spatial interventions. In this regard, the following national priorities form the basis of all integration initiatives:

- Local Government Back to Basics Strategy
- Creating jobs;
- Expanding investment in infrastructure
- Enhancing education and skill development;
- Improving Health services;
- Rural development and agriculture; and
- Fighting crime and corruption.

To achieve these priorities integration mechanisms are in place to ensure integrated planning and execution of various development programs, particularly as it relates to what mSCOA requires. The focus will be to strengthen the link between policy priorities and expenditure thereby ensuring the achievement of the national, provincial and local objectives.

## 2.3.6 The South African economy and inflation targets

The 2017 Budget Review notes that while the global economic growth outlook somehow improved, South Africa remains with a cloud of policy uncertainty. These may have adverse results on South Africa's macro prudent macro-economic and fiscal policies. GDP growth is expected to increase by 1.3% in 2017 and followed by moderate improvements on the two outer year with 2% and 2.2% respectively. This positive trajectory marks a shift from several years of declining growth although it is still not high enough to markedly reduce the three major challenges the country faces, which are unemployment, poverty and inequality.

Unemployment remains stubborn and relentless, being recorded at 26.5% in the fourth quarter, job creation remains one of the most pressing concerns for the economy. The economy continues to create job opportunities for semi-skilled and skilled workers, while the unskilled are continuously relegated to the side-line of the economy, thereby reinforcing poverty and inequality.

Having considered the above factors, it is fair to assume that municipal revenues will continue to be under pressure, hence it's advisable to apply a conservative approach in projecting revenues. It is prudent to begin with a modest budget, one that will lessen the level of commitments, with the express intention to steadily build up a reserve fund. Once pressure has been alleviated from the cash flow the municipality may factor funds accumulated during the first six months in the budget when the budget review takes place in January 2018.

**Mogale City is committed to focus on core service delivery functions and reduce costs without adversely affecting basic services. Furthermore will ensure that efficiency gains, eradication of non-priority spending (cost containment measures) and the reprioritisation of expenditure relating to core infrastructure continue to inform our planning.** Financial sustainability means that future generations will not be burdened with paying for services that today's taxpayers enjoy.

### 1.1.7 Cash Flow Management

Cash flow management and forecasting is a critical step in determining if the budget is funded over the medium-term. The table below is consistent with international standards of good financial management practice and also improves understandability for councillors and management. Some specific features include:

- Clear separation of receipts and payments within each cash flow category;
- Clear separation of capital and operating receipts from government, which also enables cash from 'Ratepayers and other' to be provide for as cash inflow based on actual performance. In other words the *actual collection rate* of billed revenue., and
- Separation of borrowing and loan repayments (no set-off), to assist with MFMA compliance assessment regarding the use of long term borrowing (debt)

**Table 25 MBRR Table A7 - Budget cash flow statement**

| Description | 2013/14 | 2014/15 | 2015/16 | Current Year 2016/17 | | | | 2017/18 Medium Term Revenue & Expenditure Framework | | |
|---|---|---|---|---|---|---|---|---|---|---|
| R thousand | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Pre-audit outcome | Budget Year 2017/18 | Budget Year +1 2018/19 | Budget Year +2 2019/20 |
| CASH FLOW FROM OPERATING ACTIVITIES | | | | | | | | | | |
| Receipts | | | | | | | | | | |
| Property rates, penalties & collection charges | 322 147 | 370 073 | 459 709 | 459 750 | 452 516 | 452 516 | 452 516 | 537 868 | 568 527 | 600 365 |
| Service charges | 906 390 | 1 032 472 | 955 110 | 1 430 843 | 1 300 198 | 1 300 198 | 1 300 198 | 1 378 803 | 1 421 382 | 1 467 135 |
| Other revenue | 88 261 | 122 560 | 108 222 | 137 492 | 241 122 | 241 122 | 241 122 | 297 770 | 283 561 | 299 445 |
| Government - operating | 224 377 | 261 967 | 272 642 | 298 444 | 295 559 | 295 559 | 295 559 | 345 334 | 387 809 | 429 279 |
| Government - capital | 120 383 | 103 677 | 164 871 | 255 952 | 140 390 | 140 390 | 140 390 | 193 600 | 222 119 | 232 780 |
| Interest | 23 886 | 17 286 | 15 347 | 43 547 | 29 963 | 29 963 | 29 963 | 40 393 | 42 695 | 45 086 |
| Dividends | | 19 | 20 | | | | | – | – | – |
| Payments | | | | | | | | | | |
| Suppliers and employees | (1 400 128) | (1 613 651) | (1 564 055) | (2 221 240) | (2 110 612) | (2 110 612) | (2 110 612) | (2 173 598) | (2 283 397) | (2 421 516) |
| Finance charges | (45 421) | (43 110) | (39 232) | (52 094) | (53 808) | (53 808) | (53 808) | (48 467) | (34 429) | (28 153) |
| Transfers and Grants | (32 510) | | | (79 071) | (52 244) | (52 244) | (52 244) | (70 572) | (61 174) | (57 353) |
| NET CASH FROM/(USED) OPERATING ACTIVITIES | 207 386 | 251 293 | 372 633 | 273 622 | 243 084 | 243 084 | 243 084 | 501 131 | 547 093 | 567 068 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | | | | | | |
| Receipts | | | | | | | | | | |
| Proceeds on disposal of PPE | – | – | | 20 000 | – | – | – | 20 000 | – | – |
| Payments | | | | | | | | | | |
| Capital assets | (323 911) | (398 866) | (467 886) | (424 969) | (275 508) | (275 508) | (275 508) | (293 878) | (284 119) | (302 780) |
| NET CASH FROM/(USED) INVESTING ACTIVITIES | (323 911) | (398 866) | (467 886) | (404 969) | (275 508) | (275 508) | (275 508) | (273 878) | (284 119) | (302 780) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | | | | | | |
| Receipts | | | | | | | | | | |
| Borrowing long term/refinancing | 190 994 | 216 768 | | | | | | – | – | – |
| Payments | | | | | | | | | | |
| Repayment of borrowing | (28 080) | – | (3 352) | (33 814) | (33 814) | (33 814) | (33 814) | (106 223) | (28 949) | (27 084) |
| NET CASH FROM/(USED) FINANCING ACTIVITIES | 162 914 | 216 768 | (3 352) | (33 814) | (33 814) | (33 814) | (33 814) | (106 223) | (28 949) | (27 084) |
| NET INCREASE/ (DECREASE) IN CASH HELD | 46 388 | 69 192 | (98 605) | (165 161) | (66 238) | (66 238) | (66 238) | 121 030 | 234 025 | 237 204 |
| Cash/cash equivalents at the year begin: | 43 775 | 96 705 | 165 897 | 165 782 | 67 292 | 67 292 | 67 292 | 67 292 | 188 322 | 422 347 |
| Cash/cash equivalents at the year end: | 90 163 | 165 897 | 67 292 | 621 | 1 053 | 1 053 | 1 053 | 188 322 | 422 347 | 659 551 |

The above table shows that cash and cash equivalents of the City remains positive from 2013/14 at R90 163 million, then increases during 2017/18 financial year and over the MTREF.

### 2.3.5 Cash Backed Reserves/Accumulated Surplus Reconciliation

This following table meets the requirements of MFMA Circular 42 which deals with the funding of a municipal budget in accordance with sections 18 and 19 of the MFMA. The table seeks to answer three key questions regarding the use and availability of cash:

- What are the predicted cash and investments that are available at the end of the budget year?
- How are those funds used?
- What is the net funds available or funding shortfall?

A surplus would indicate the cash-backed accumulated surplus that was/is available. A shortfall (applications > cash and investments) is indicative of non-compliance with section 18 of the MFMA requirement that the municipality's budget must be 'funded'.

**Table 26 MBRR Table A8 - Cash backed reserves/accumulated surplus reconciliation**

| Description | Ref | 2013/14 | 2014/15 | 2015/16 | Current Year 2016/17 | | | | 2017/18 Medium Term Revenue & | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| R thousand | | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Pre-audit outcome | Budget Year 2017/18 | Budget Year +1 2018/19 | Budget Year +2 2019/20 |
| **Cash and investments available** | | | | | | | | | | | |
| Cash/cash equivalents at the year end | 1 | 90 163 | 165 897 | 67 292 | 621 | 1 053 | 1 053 | 1 053 | 188 322 | 422 347 | 659 551 |
| Other current investments > 90 days | | 6 541 | (0) | 0 | – | (0) | (0) | (0) | 29 565 | 0 | 0 |
| Non current assets - Investments | 1 | 53 935 | 61 608 | 70 294 | 69 793 | 69 793 | 69 793 | 69 793 | 84 055 | – | – |
| **Cash and investments available:** | | **150 639** | **227 504** | **137 585** | **70 414** | **70 846** | **70 846** | **70 846** | **301 942** | **422 347** | **659 551** |
| | | | | | | | | | | | |
| **Application of cash and investments** | | | | | | | | | | | |
| Unspent conditional transfers | | 8 183 | 1 712 | 14 485 | – | – | – | – | – | – | – |
| Unspent borrowing | | – | – | – | – | – | – | | – | – | – |
| Statutory requirements | 2 | 71 704 | 60 771 | 47 524 | 79 075 | 79 075 | 79 075 | 79 075 | 47 524 | 50 232 | 53 045 |
| Other working capital requirements | 3 | 160 568 | 196 882 | 368 647 | (158 908) | (162 187) | (162 187) | (162 187) | 128 510 | 198 162 | 139 408 |
| Other provisions | | 14 984 | 14 085 | 15 273 | 14 085 | 14 085 | 14 085 | 14 085 | 15 273 | 16 036 | 17 159 |
| Long term investments committed | 4 | 53 935 | 61 608 | 70 294 | 69 793 | 69 793 | 69 793 | 69 793 | 84 055 | – | – |
| Reserves to be backed by cash/investments | 5 | | | | | | | | | | |
| **Total Application of cash and investments:** | | **309 374** | **335 057** | **516 222** | **4 045** | **766** | **766** | **766** | **275 361** | **264 431** | **209 613** |
| **Surplus(shortfall)** | | **(158 734)** | **(107 553)** | **(378 636)** | **66 369** | **70 080** | **70 080** | **70 080** | **26 581** | **157 916** | **449 938** |

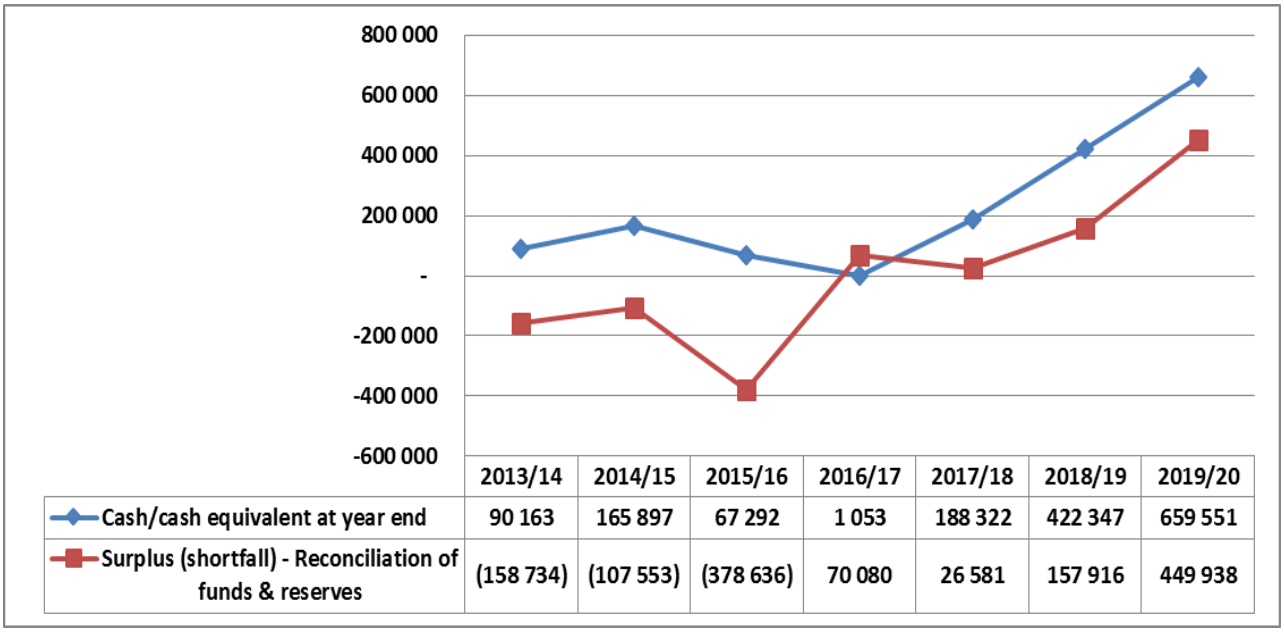
**The following is a breakdown of the application of this funding**:

- Unspent conditional transfers (grants) are automatically assumed to be an obligation as the municipality has received government transfers in advance of meeting the conditions. Ordinarily, unless there are special circumstances, the municipality is obligated to return unspent conditional grant funds to the national revenue fund at the end of the financial year. In the past these have been allowed to 'roll-over' and be spent in the ordinary course of business, but this practice has been discontinued.

- The main purpose of other working capital is to ensure that sufficient funds are available to meet obligations as they fall due. A key challenge is often the mismatch between the timing of receipts of funds from debtors and payments due to employees and creditors**. Any underperformance in relation to collections could place upward pressure on the ability of the City to meet its creditor obligations.**

- Long term investments consist primarily of the sinking funds for the repayment borrowings. The sinking fund value is held within long term investments and must be 'held to maturity' and is not available for spending.

The following graph supplies an analysis of the trends relating cash and cash equivalents and the cash backed reserves/accumulated funds reconciliation over a seven year perspective.




| | 2013/14 | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 |
|---|---|---|---|---|---|---|---|
| Cash/cash equivalent at year end | 90 163 | 165 897 | 67 292 | 1 053 | 188 322 | 422 347 | 659 551 |
| Surplus (shortfall) - Reconciliation of funds & reserves | (158 734) | (107 553) | (378 636) | 70 080 | 26 581 | 157 916 | 449 938 |

**Figure 12 Cash and cash equivalents / Cash backed reserves and accumulated funds**

## 2.4 Legislation compliance status

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

1. **In year reporting**
   Reporting to National Treasury in electronic format was fully complied with on a monthly basis. Section 71 reporting to the Executive Mayor (within 10 working days) has progressively improved.

2. **Internship programme**
   The City is participating in the Municipal Financial Management Internship programme since March 2004 to May 2015, currently Mogale City have absorbed permanently all five interns. During the 2016/17 financial year employed 5 interns to undergo training in various divisions of the Financial Services. Since the introduction of the Internship programme the City has successfully employed and trained twenty eight interns through this programme and majority of them were appointed in Mogale City.

3. **Budget and Treasury Office**
   The Budget and Treasury Office has been established in accordance with the MFMA.

4. **Audit Committee**
   An Audit Committee has been established and is fully functional and from 2013/14 financial year Mogale City is utilizing shared district audit committee.

5. **Service Delivery and Implementation Plan**
   The SDBIP content is based on the draft IDP, strategic plan objectives outlined. The SDBIP targets are based on the March 2017 Strategic Plan.

6. **Annual Report**
   Annual report is compiled in terms of the MFMA and National Treasury requirements.

7. **Policies**
   An amendment of the Municipal Property Rates Regulations as published in Government Notice 363 of 27 March 2009 was announced in Government Gazette No 37922 on 18 August 2014. The ratios as prescribed in the Regulations have been complied with.

8. ***m*SCOA Implementation**

The implementation of the project is still currently on course, we will be in a position to table the budget in the *m*SCOA format. *m*SCOA requires that each item of expenditure be linked to a project, this is at the core of planning. As we implement the project we are effectively moving away from item based budgeting to project driven budgeting. We will table, as an attachment to this report, an annexure which details the budget by project, and furthermore there will be additional annexure which links amounts on the budget to six segments using GUID codes. In the coming months more focus will be on change management (training), and conversion of other datasets, notably asset register and billing information from their current structure to *m*SCOA format.

## 2.5 Municipal manager's quality certificate

I Maanda Pringle Raedani, Municipal Manager of Mogale City, hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name: Maanda Pringle Raedani

Municipal Manager of Mogale City (GT481)

Signature_____

Date _____